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NEWS SUMMARY

GENERAL

Bombs threat to Spanish resorts

THE SPANISH Government yesterday rejected demands by Basque guerrillas threatening to bomb the country's holiday resorts if 18 Basque detainees were not released by midday today.

A bomb exploded at a restaurant in the southern resort of Fuengirola, shattering windows.

The Basque separatist organisation ETA said bombs were planted throughout holiday areas and would be set off if the detainees were not released.

Last summer seven people were killed and more than 100 injured in a wave of resort bombings.

Anti-Bomb rally

More than 12,000 demonstrators attended a Labour Party rally in London's Hyde Park against the build-up of nuclear weapons. Speakers, including Frank Allaun and Joan Lestor, called for lower defence spending and the banning of Cruise missiles from Britain.

Rooker pressed

Conservative MP Peter Rost is to ask the Commons Speaker to refer the Rolls-Royce "bribes" row to the House's Committee of Privileges unless Labour MP Jeff Rooker substantiates or withdraws his allegations. Page 3

Border plan

China is attempting to resolve the Sino-Indian border dispute which has strained relations between the two countries for nearly 20 years. Page 2

Prisoners hunted

Glasgow police launched a hunt for three "dangerous" prisoners who escaped from the city's Barlinnie Prison.

Israeli budget cut

Israeli Government bowed to an ultimatum from Finance Minister Yigael Hurvitz to make further budget cuts or face his resignation. Page 2

Rebel isle move

New Hebrides Government said it would reject any Anglo-French solution to the rebellion on Espiritu Santo if it involved constitutional and political changes.

Schooner found

The schooner El Pirata, skippered by John Cluett, from Guernsey, which is competing in the Tall Ships Race, was located by the QE2 in the Atlantic. It had been missing since June 11.

Japanese poll

A high turnout in the Japanese election increased the chances of the Liberal Democratic Party being returned to power. Page 2

EEC nomination

Prime Ministers of the Netherlands, Belgium and Luxembourg agreed to nominate Luxembourg Foreign Minister Gaston Thorn as President of the EEC Commission.

'Greens' bid

West Germany's Ecologist Party—the "Greens"—is to contest the federal elections in October in a move which could help to bring Franz Josef Strauss's Christian Democrats to power. Page 3.

Briefly . . .

Head of Iran's revolutionary military courts said 27 soldiers had been arrested in an alleged military plot linked with Iraq.

Arab Baath Socialist Party won a clear majority in Iraq's first general election since 1958.

BUSINESS

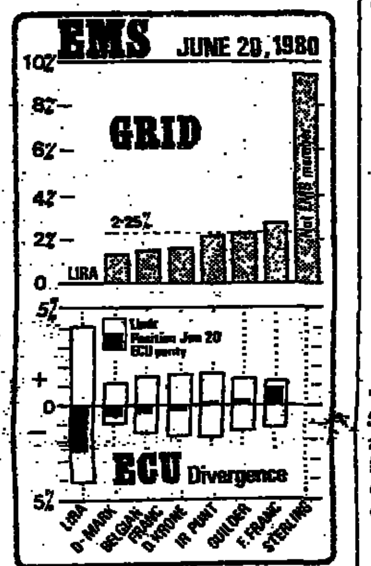
Building societies abandon fund plan

● **BUILDING SOCIETIES** have abandoned attempts to set up a deposit protection fund, first proposed after the collapse of Grays Building Society. The Government may now legislate to ensure such cover. Back Page

● **EUROPEAN** Monetary System saw little overall change last week. All currencies remained well within their agreed limits, with the French franc the strongest member and the Italian lira the weakest.

On Wednesday the Irish punt rose temporarily to the top of the system, while the Dutch guilder finished the week as the second strongest, despite the cut in the Netherland's discount rate on Friday.

The Deutsche mark was one of the weaker currencies throughout, and the Belgian franc held steady just above the German unit as the central bank refrained from a cut in Belgium's key lending rates despite two reductions in Treasury certificate rates.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **CABINET** has brought forward next month's date for assessing the overall economic strategy so that Ministers can review future public spending plans before the Commons summer recess. Back Page

UK 'lowers' $ reserve ratio

● **BRITAIN** appears to have reduced the proportion of dollars in its official foreign exchange reserves, partly because of increased holdings of Deutsche marks and possibly other European currencies. Back Page

● **INSIDER** share dealings—profiting on shares by using price sensitive or confidential information — becomes a criminal offence from today with a maximum of two years in jail and an unlimited fine.

● **BRITISH PETROLEUM** is holding talks with the Hong Kong Government on building the colony's first oil refinery. Back Page

● **TVR**, the Blackpool-based specialist sports car manufacturer, hopes to settle out-of-court a criminal action brought by U.S. Customs over the export of 18 cars. Page 4

● **CITIBANK** and Morgan Guaranty, the New York banks, have issued $100m worth of certificates of deposit each through their Nassau branches in the Bahamas. Page 20

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For latest Share Index phone 01-246 8026

CBI survey shows squeeze restraining price rises

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE NUMBER of UK manufacturing companies expecting to raise prices is at its lowest level since January 1973, says the Confederation of British Industry's monthly industrial trends survey, published today.

The number expecting to lower prices has doubled since the last survey, indicating increasing concern about the level of stocks and about competition from foreign imports.

Reports from more than 2,000 companies indicate that the recession is having an increasing impact on order books and stocks, while output is expected to fall further in the next four months.

This supports evidence from other official surveys and reports, and will be reinforced tomorrow when the Government's monthly unemployment figure shows a further significant rise on last month's adult total of 1.48m.

The overall situation is causing increasing concern among industrialists in companies of all sizes. Many fear that too much damage may be done to industry before it gets relief through lower interest rates and exchange rates.

But, in spite of outspoken calls from the CBI for the Government to bring down interest rates, there is still a strong body of opinion in industry which believes the Government should stick to its policies and not be deterred by the problems of the recession.

At the same time, however, industrialists hope the Government will find some way to relax its present strict regime before too much permanent industrial and social damage is done by the rising tide of bankruptcies and unemployment.

From the Government's point of view, the reduction in the number of companies planning to raise prices supports its hopes that the rate of price inflation will now start to decline, although at the cost of reduced profits.

The economic squeeze on companies is expected to increase their determination to try harder in the next pay round to settle wage deals well below the rate of inflation. The CBI is in the middle of a series of conferences of its members on pay, trying to stiffen their resolve before next winter.

The indicator in the survey causing most concern among CBI leaders is that for the fifth successive month, the balance of manufacturing companies expecting to raise rather than lower prices has fallen. The balance stands at +37 expecting to raise prices which is the lowest since January 1973. The number of companies expecting to lower prices has doubled to 7 per cent of companies

The other main indicator in the CBI Survey, which was conducted between May 30 and June 18, is the state of total order books. Only 5 per cent of the participants said their book levels were above normal, and 67 per cent said they were below normal, making a balance of −62, compared with −57 in May and −30 six months ago.

The comparable balance for export order books is −44, compared with −33 in December, reversing a slight rocovery in February and March.

Below normal order books are most apparent for larger companies.

The proportion of companies who say their stocks of finished goods are more than adequate is increasing, with the balance of companies saying stocks are too high rather than too low rising from +15 in December to +30 in this survey.

Deepening recession in the Midlands, Page 3

FT Survey of Consumer Confidence, Page 17

Moves for North-South talks dominate summit

BY RUPERT CORNWELL IN VENICE

THE NEED to reopen the North-South dialogue between rich and poor nations dominated the first phase of the seven-nation economic summit at the weekend.

However, opposition from Britain last night emerged as an obstacle to hopes that the summit might launch fresh negotiations between the industrialised world, poorer countries and the Organisation of Petroleum Exporting Countries—possibly involving a mini-summit of interested parties.

New North-South talks would be aimed at easing economic pressures, particularly for developing nations, caused by oil price increases.

Most European countries seemed broadly in favour of the idea, emphasised in the recent Brandt Commission Report calling for a radically new deal for the developing world. Britain is more wary.

President Giscard d'Estaing of France, said it was not right that the West, which gave 90 per cent of international aid, should be criticised for meanness. He called yesterday for a new concept of aid embracing the three potential donor groups, OECD countries, OPEC, and the Socialist countries.

Mrs. Margaret Thatcher, in cautious vein, merely defined the problem in terms of "getting alongside the OPEC countries."

She also raised the issue of whether the West and Japan wanted to see the Communist bloc increase aid which, inevitably, would have political strings.

The seven countries taking part in the summit, the U.S., Japan, Canada, the UK, West Germany, France and Italy favour helping developing countries, who have to bear 40 per cent of the burden of the OPEC surplus reckoned at $120bn this year.

A draft of the final summit communique suggests the World Bank might set up a separate body to help Third World energy exploration and development, and that resources of the International Monetary Fund should be made more accessible to needy borrowers.

The draft urges the West to

Continued on Back Page

Print union 'will break new law'

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE National Graphical Association, the print craftsmen's union, has "no alternative to breaking the law" when the Employment Bill reaches the statute book, Mr. Les Dixon, union president, said yesterday. The Bill is in its final stages at the House of Commons.

The statement means the NGA has joined the other two print unions—The National Society of Operative Printers and Allied Trades and the Society of Graphical Allied Trades—in a public pledge to take illegal action.

Mr. Dixon, who was opening the union's biennial delegate conference in Blackpool, said: "If we have a bad law — and there have been many in the past and we may be facing more —we have no alternative but to break it.

"Ultimately we want to see it repealed, but when we are faced with a situation whereby the restrictions on the existing immunities imposed by the Government are almost certain to cause great damage to industrial relations, and where there is every likelihood of legal action against workers involved in industrial disputes, then I think it is time to say there must be a halt to this aggravation against the unions."

The NGA, like the other print unions, is particularly concerned by clauses 15 and 16 of the Bill, which prohibit secondary action. The print unions routinely ask members not to handle the work of any company which is in dispute with a union.

Because of their strong organisation, they can call for sympathy action by members in one sector in support of those in another. This occurred when NGA members on Fleet Street newspapers stopped work on selected nights in support of colleagues involved in the recent provincial newspapers' dispute.

Both these actions would be illegal under the new Bill, says the union. It believes the freedom to take such action is essential to its ability to organise.

Union leaders said yesterday that if the clauses on secondary action were enforced, they would seriously erode the union's effectiveness.

Both Mr. Dixon and Mr. Joe Wade, the union's General Secretary, expressed their willingness to go to jail rather than obey the legislation.

While other unions have expressed hostility to the Bill, the print unions have been more forthright because of their methods of organisation. It thus appears likely that the first battleground for the Bill will be in the printing and newspaper industries.

Mr. Dixon said the union was not questioning the Government's right to govern, but how it governed.

Sir Keith to study Ferranti plan

BY RAY PERMAN, SCOTTISH CORRESPONDENT

A PROPOSAL to preserve Ferranti's independence is to be put to Sir Keith Joseph, the Industry Secretary, this week.

The plan is to offer its shares to financial institutions under a restrictive covenant that would prevent them selling for two or three years.

The proposal was originated by two Scottish finance houses, Edinburgh Financial and General Holdings and the Royal Bank of Scotland, Ferranti's bankers north of the border. It has the full support of Scottish Ministers, who have been thinking along similar lines.

The Government's attitude to the planned disposal of the 50 per cent equity held by the National Enterprise Board will be discussed at a meeting tomorrow. It will be chaired by Sir Keith and attended by Mr. George Younger, Scottish Secretary, and leading opponent of a sale to the highest bidder.

Ferranti's results are due tomorrow. If there is no agreement between Ministers, the issue will be decided by Cabinet on Thursday. The NEB is likely to meet soon afterwards.

Scottish interest in the company stems from Ferranti's contribution to the regional economy through its successful Scottish defence electronics group and the boost its management has given to development policy thinking through the Scottish Council for Development and Industry.

Scottish Ministers fear that if the NEB's stake was sold to another company in the electronics field, such as GEC, there would be rationalisation.

Scottish institutions originally proposed buying the whole 50 per cent shareholding, possibly disposing of the non-Scottish interests later. The idea met a cool response from the NEB when put to it by Mr. Peter de Vink and Mr. David Mowatt of Edinburgh Financial.

Share placing to institutions under a sale embargo was then suggested. Although unusual in Britain it is more common in the U.S.

Mr. de Vink said yesterday: "We accept that there is no way Ferranti can be protected indefinitely from a takeover, but we feel the company should be given a period to prove that it can stand on its own as a completely independent private firm.

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Wilson inquiry backs City

By Richard Lambert

THERE IS no case to be made for nationalising the City's financial institutions, according to Sir Harold Wilson's committee of inquiry into the institutions.

This is a unanimous conclusion of the 18-strong committee, which includes trade union, academic and business representatives. Its report is due to be published on Wednesday.

The committee has taken nearly four years to report. Sir Harold was appointed its chairman in October 1976 by Mr. Jim Callaghan, then Prime Minister. The move was widely seen as a way of muting clamours by the Labour Party's left wing which led to proposals at the annual conference to nationalise the clearing banks and insurance companies.

The report *concentrates on* three main financial institutions—the building societies, Stock Exchange and pension funds. It recommends abolition of the building society cartel, and calls for more competition among the societies on rates and services.

In general terms, the report approves of the Stock Exchange's self-regulatory discipline, and proposes no statutory controls. But it makes several suggestions for changes.

These include introducing lay members to the Stock Exchange Council, appointing a chief executive to the Council for the Securities Industry, and establishing a top-level supervisory board to review regularly all parts of the financial system.

The report touches on the Office of Fair Trading decision to refer the Stock Exchange rule book to the Restrictive Practices Court. It says the court is not the appropriate forum to consider such an issue, and suggests that the matter be considered by the Council for the Securities Industry.

On pension funds, the main theme is that there should be greater financial accountability within the movement. It calls for more disclosure to members and the public, on principles to be laid down in a new Act of Parliament.

The committee is divided on one of the most contentious issues to come out during its inquiries. This was the TUC's proposals for an investment fund for industry, to be financed by the pension funds and insurance companies, along with North Sea oil revenues.

Fisher report, Back Page

Strong reply by West to Soviet move

BY REGINALD DALE IN VENICE

WESTERN LEADERS last night firmly rebuffed the Soviet Union's latest conciliatory gesture over the occupation of Afghanistan and demanded a total withdrawal of Soviet troops.

The seven nations attending the world economic summit here said they had taken note of yesterday's announcement by Moscow that "some Soviet troops" would be withdrawn from Afghanistan. But they said that the withdrawal, if confirmed, would have to be permanent and continue until all Soviet forces were removed.

machine 40 —— 8 on 8½ ——

The Western statement, endorsed by the leaders of the U.S., Canada, Japan, West Germany, France, the UK and Italy, was tougher than had been expected after President Brezhnev first communicated the Soviet move to President Valery Giscard d'Estaing of France through diplomatic channels on Friday.

French officials earlier yesterday said that they attached importance to the Soviet move, which formed part of the dialogue started when M. Giscard d'Estaing went to Warsaw for talks with President Brezhnev last month.

British officials said that the Soviet gesture, on the eve of the Western summit, was transparent in its timing, while the facts remained opaque. There was no indication here of how many Soviet troops might have been withdrawn, but it was widely assumed that the main Soviet motive was to try to split the Western camp.

The special declaration issued last night reaffirmed the Western view "that the Soviet military occupation of Afghanistan is unacceptable now, and that we are determined not to accept it in the future." Praising the stand taken against the invasion by the countries of the Islamic Conference, the seven leaders said they would do everything in their power to secure a complete Soviet withdrawal.

The Soviet invasion was incompatible "with the will of the Afghan people for national independence, as demonstrated by their courageous resistance, and with the security of the states of the region. It is also incompatible with the principles of the United Nation's Charter and with efforts to maintain genuine detente," they said.

After spending much of the first day of their two-day meeting here on the world's economic problems, the seven leaders issued a series of political statements in which they also (with an eye on Iran) vigorously condemned the taking of diplomatic hostages and called for fresh efforts to solve the world-wide refugee problem and combat hijacking.

Almost 1m Afghan refugees were now in Pakistan and Iran, they said, in addition to boat people who had left Indochina and Cuba and several millions of refugees in Africa.

The Seven are expected to send a message *to the oil-producing countries urging them to* show greater responsibility over the level of oil prices and the aid they give to the developing world.

David Satter in Moscow adds: The Soviet Union announced yesterday that it was withdrawing *'an unspecified number of* troops from Afghanistan because their presence there was no longer necessary.

The Soviet news agency, Tass, in a brief dispatch from abul, quoting the Soviet military command in Afghanistan, said that the troops were being withdrawn to Soviet territory in agreement with the Afghan Government.

The Soviets have always described their forces in Afghanistan as a "limited contingent," but the most recent Western estimate has placed Soviet troop strength there at 80,000 with another 25,000 support troops stationed directly across the border on Soviet territory. In the last few days, however, Western diplomats in New Delhi have reported a rapid troop build-up in Afghanistan with up to a dozen troop transports landing at Kabul airport every night.

Soviet forces in Afghanistan have encountered intensified resistance in recent months, and Western observers believe the number of troops in the country will have to be doubled or trebled to pacify the country.

Reuter adds from Mont Pelerin, Switzerland: Anti-Government Afghan rebels said that the announcement of Soviet troop withdrawals was a ploy to detract from the success of weekend moves here to unify the resistance movement.

£ in New York

—	June 20	Previous
Spot	$2.3325-3340	$2.3330-3340
1 month	1.70-1.62 dis.	1.65-1.60 dis
3 months	4.39-4.29 dis.	4.25-4.20 dis
12 months	9.70-9.55 dis.	9.50-9.35 dis

OVERSEAS NEWS

Stoppage at Russian lorry factory

BY DAVID SATTER IN MOSCOW

WORKERS AT the giant Kama lorry factory stopped work for four hours last week in an act of protest over food shortages in the Volga River region, Western businessmen said yesterday. The businessmen, who were at the factory when the stoppage occurred, said it was not clear how the dispute at the plant was settled.

The report of the stoppage at Kama, which was built partly with U.S. technology, comes after reports of walk-outs at the giant car-producing plants at Togliatti and Gorky early last month, which also stemmed from dissatisfaction over food supplies in the Volga River region.

The reports, which were carried in Western newspapers, have been denied angrily by the Soviet Press, which has carried letters from employees of the plants in Togliatti and Gorky denouncing the reports and has maintained that they were inspired by American "special services."

The stoppage at Kama reportedly occurred shortly after a visit there by Mr. Andrei Kirilenko, a senior Politburo member, who made a four-day trip to the region late last week and urged workers at Kama, in a published speech, to intensify efforts to keep up production.

Christopher Bobinski adds from Warsaw: The Polish authorities are expected to announce a reduction in this year's planned target at today's Parliamentary session. Such adjustments have been discreetly introduced in the past but this will be the first time that changes will be announced in public.

The changes include a 2 per cent reduction in the annual industrial output target—an admission that efforts to improve efficiency are failing to produce results. The authorities are also contemplating sharp reductions in employment in industry and exporting considerable amounts of retail goods previously for domestic consumption.

The changes reflect the effect of import cuts caused by shortages of hard currency and continuing high spending on grain and feed imports. This year's harvest is expected to be inadequate.

OECD growth forecast too low

By Roger Boyes in Bonn

THE ANNUAL review of West Germany's economy published by the Organisation for Economic Co-operation and Development says that at 4.4 per cent last year, economic growth was considerably more than its forecast of 3.75 per cent.

This was thanks mainly to unexpectedly strong stock building and an exceptionally high level of fixed investment. Consumer price increases of 4 per cent were among the lowest in the OECD area and the Paris-based organisation also noted that there had been significant decreases in unemployment.

But the report, published over the weekend, makes clear that while Germany is better equipped than most OECD countries, *it is still one of the* most vulnerable to oil price fluctuations. The report was completed in April, before the latest round of oil increases, but the analysis still holds good.

The OECD stresses that higher oil prices should not be allowed to spark off an inflationary wage-price spiral. The Government's tax relief package for 1981 should help to generate moderate wage demands.

On the whole, the OECD is confident that Germany will be able to manage: "Wage settlements are somewhat higher in the present year and although profit margins are expected to narrow, a relatively satisfactory cost-price situation and competitiveness should be maintained."

It estimates that German inflation will reach 5 per cent this year and fall to an average of 3.5 per cent in 1981.

The second major challenge to the economy is the effect of oil prices on real income and on growth. The 125 per cent increase in oil prices since December 1978 represented a real income loss of around 2 per cent of GNP and was, the report says, "bound to entail a slower growth of aggregate demand."

Because oil imports are expected to swell to about DM 28.5bn (£6.91bn) this year, a slower rate of stockbuilding is likely. This will also slow down import growth

Ecologists to contest W. German election

BY OUR BONN CORRESPONDENT

WEST GERMANY'S small but vocal ecologists party announced yesterday that it will contest the federal elections in October —a move which could help bring Herr Franz Josef Strauss's opposition Christian Democrats to power.

The ecologists reached the decision after a rather chaotic party conference at the weekend, during which they managed to agree on a common election programme.

There was some doubt that the ecologists would go ahead with a national election bid following its poor showing at the North Rhine Westphalian state elections in May when the party won only 3 per cent of the vote. Earlier, in Baden Wuertemberg, it captured a significant 5.5 per cent of the vote, gaining six seats in the State Parliament. This clearly *influenced yesterday's decision.*

If the "Greens" secure 5 per cent, the proportion needed for Parliamentary representation they could undermine the support of the ruling parties, the Social Democrats (SPD) and the Free Democrats (FPD).

The danger is especially acute for the FPD which won only 1.9 *per cent more than the* "Greens" in the North Rhine Westphalian elections.

China moves to settle Indian border dispute

BY K. K. SHARMA IN NEW DELHI

CHINA has made its first move on settling the Sino-Indian border dispute which has strained relations between the two countries for nearly 20 years following the border war of 1962. China has indicated that it would like a settlement of the dispute on the basis of demarcating the border along the "line of actual control."

The move comes just after Mr. P. V. Narasimha Rao, the Indian Foreign Minister, expressed scepticism openly over Soviet intentions to withdraw from Afghanistan.

The offer has been made by Mr. Deng Xiaoping, the Chinese Vice-Premier, in an interview with an Indian journalist which was widely publicised in New Delhi over the weekend.

An immediate reaction by the Indian Government was not available but it is unlikely to be positive.

This is because India's claim is that China is in possession of 25,000 square kilometres of Indian territory in the state of Kashmir and the acceptance of the "line of actual control" would amount to ceding this to China without getting anything in return except for improvement in political relations.

What the Chinese proposal means, in effect, is that it wants the status quo recognised by bilateral agreement. In the eastern sector, China would recognise the McMahon Line drawn as the border by the British while India would cede the territory occupied by China in Kashmir since the 1962 war.

The Chinese view is that by settling the dispute on the basis of the "line of actual control" it would be giving to India nearly 100,000 square kilometres of territory that it claims. This lies in what is the Indian state of Arunachal Pradesh which is effectively a part of India.

For India all this would mean is that China would forgo its claim to Arunachal Pradesh which it has never, in fact, administered although Chinese troops occupied it for a few days during the 1962 border war.

It is now certain that serious talks on normalisation of Sino-Indian relations will begin. *They are bound to be protracted* since the problem is difficult and any settlement will have to be sold to the Indian people who have long been told that the Chinese are in occupation of thousands of square kilometres of Indian territory.

Tony Walker adds from Peking: China has demanded that the United States stops arms sales to Taiwan and claimed that to continue to do so would be in breach of the agreement reached between Peking and Washington on the establishment of diplomatic relations.

Chinese anger over American arms sales to Taiwan has produced *the most serious* difference between the two countries since they established diplomatic relations more than a year ago. China has accused the U.S. of aggravating tension in the Taiwan Strait and doing harm to China's cause of reunifying Taiwan with the mainland by peaceful means.

Japan went to the polls yesterday in an unprecedented "double" election to the Upper and Lower houses of the national Diet. The election is a crucial test of the ruling Liberal Democratic Party's ability to retain control of the Government after an unbroken 25 years in power.

Mr. Takeo Fukuda, a former Prime Minister (above) voted with his wife Mie at a Tokyo polling booth.

Counting the votes, which normally starts immediately after the close of voting in Japanese elections, was delayed until this morning given the unusual circumstances of the poll. Elections to half of the 252 seats in the Upper House of the Diet are normally held at three years intervals.

The last election to the Lower House took place in October 1979, but the House was dissolved in May after the Government suffered a surprise defeat on a no-confidence motion. Because of this, it was decided to hold a simultaneous poll for both houses for the first time since the

The Liberal Democratic Party, which held 258 seats in the Lower House before its dissolution needs to win a minimum of 256 in order to retain control.

Libyan allies discuss Sadat move

BY IHSAN HIJAZI IN BEIRUT

LIBYA'S Arab allies were meeting in Tripoli yesterday to discuss giving military support to the *regime of Col. Moammar* Gadaffy, following the escalation of tension on the Libyan-Egyptian border.

The Foreign Ministers of Syria, South Yemen and Algeria and the head of the political department in the Palestine Liberation Organisation were summoned to the emergency conference by the Libyan Foreign Minister. They form the "Confrontation Front" which was created three years ago to counter President Anwar Sadat's peace initiative with Israel.

Both Egypt and Libya were reported to have rushed military reinforcements to their common border region after Cairo last week decided to impose a state of emergency there.

While Egypt said its action was intended to head off the infiltration of saboteurs from Libya, the Government in Tripoli said that the Egyptian move constituted "a unilateral declaration of war." It charged moreover, that the U.S. was supporting President Sadat in his aggression against Libya.

Arab diplomats here said the atmosphere between the two neighbours was reminiscent of that which preceded the four-day war that raged between them in the summer of 1977. If war should break out this time, it could have more devastating effects.

This time the two superpowers are more deeply entrenched in the conflict. The U.S. has established what amounts to an alliance with the Egyptian regime, while the Soviet Union supplied Libya with $2bn (£858m) worth of sophisticated weapons in the past three years. Syrian Air Force pilots are said to be flying some of the Libyan aircraft while Palestinians are believed to be operating newly-acquired Libyan tanks.

Israel budget cut averts new Cabinet crisis

BY DAVID LENNON IN TEL AVIV

THE GOVERNMENT of Mr. Manahem Begin began its fourth year in office yesterday in a mood of crisis, one of the hallmarks of its rule. In keeping with its record so far, it postponed the latest in a long line if crises by passing the tough decisions on to a subcommittee.

The alarm arose from a threat by Mr. Yigal Hurvitz, the Finance Minister, to resign if the Government failed to approve budget cuts he deemed essential if the country is to have any chance of curbing inflation, currently running at over 135 per cent annually.

Spurred by the spectre of another defection further weakening the shaky coalition, the Cabinet approved in general terms a cut in the £5.7bn budget by between £78m and £94m. Last week the cabinet pared £63m from the huge defence allocation.

It was agreed that the decision on where the new cuts would be made should be passed to the inner economic cabinet, due to begin deliberations today.

Mr. Hurvitz said after the Cabinet session that he felt the Ministers had moved some way towards his position.

Iran arrests 27 soldiers for plotting

By Patrick Cockburn in Tehran

MILITARY revolutionary tribunals in Iran have arrested 27 soldiers accusing them of plotting with Iraq against the Government and a judge has said there might be as many as another 120 men involved.

Current rumours of military conspiracies were sparked off by the discovery of a plot amongst soldiers in the Piranshahr garrison, a small town in the Kurdish region.

The judge investigating the network claimed that the conspirators had been in touch with all those opposed to the revolutionary Government.

WORLD TRADE NEWS

Sohio, CFP reach oil supply deal with Algiers

BY FRANCIS GHILES, RECENTLY IN ALGIERS

STANDARD OIL of Ohio (SOHIO) and Compagnie Francaise des Petroles (CFP) have reached agreement with Sonatrach, the Algerian state oil and gas company that will link 1980 crude oil contracts with an oil exploration programme in Algeria.

The agreement is an important one for Algeria in its current policy to reach such co-operative deals with foreign oil concerns.

CFP is understood to be negotiating two further contracts with Sonatrach while at least another seven companies, most of them from the U.S. are believed to be very close to signing an agreement. The U.S. is the largest single customer for Algerian oil.

Under the Algerian scheme, those companies obtaining crude oil contracts in 1980 are being obliged to pay a special exploration surcharge of $3 per barrel. At the same time they have been required to submit *exploration programmes. They* have until September 30 to do so or risk losing their crude oil contracts.

If a company's proposals prove acceptable to Sonatrach the $3 per barrel will be made available to offset the exploration outlays involved. If not the company concerned stands both to loose its crude oil contract and forfeit the $3 per barrel. The surcharge is not considered part of the official price and is invoiced separately.

The foreign partner is required to put up the whole of the risk capital during the exploration stage, but if and when commercial production is established Sonatrach will repay its share of the exploration expenditure. If no such agreement is reached by September 30, Sonatrach has the right to declare the termination of the contract of the company concerned on December 31, 1980, and at the same time to increase the $3 contribution subjection to forfeit for *the fourth quarter.*

The contract signed by SOHIO with Sonatrach covers an area of 3,600 square kilometres along Algeria's south-eastern frontier alongside the Tunisian oil field of Ebl Borma. It will run for four years and cover the costs of seismic studies and drilling. The costs of both operations will be covered by SOHIO. In the event that oil is struck development costs will be shared between Sonatrach and SOHIO.

The contract within CFP is somewhat different in that it is believed that the French company, because of its long association with Algeria, will not pay the $3 exploration premium for the oil it lifts. Instead it has undertaken to invest $52m. in making seismic studies and and possibly drilling an area extending over 4,300 square kilometres close to the gas field of Hassi R'mel over a period of four years. If oil is struck the cost of developing the wells *would be borne by Sona-*

Brazil, Iraq buy rail goods from France

By Terry Dodsworth in Paris

FRANCE'S railway industry has won two big overseas orders in Iraq and Brazil following a highly active year in 1979 when export sales rose by 40 per cent to FFr 2.2bn (£230m).

The contracts, signed by the Francorail-MTE consortium, which groups together five French manufacturers, comes only shortly after the industry won an order for 3,400 wagons from East Germany and 60 locomotives from the Netherlands and Costa Rica.

The Iraq agreement is for the supply of 72 diesel electric locomotives at a total price of FFr 556m from Francorail's five partners—Carel-Fouchet, de Dietrich, MTE, Creusot-Loire and Jeumont Schneider. This is France's largest ever diesel locomotive contract, although 23 per cent of the value of the contract will go to Alco of the U.S., the supplier of the engines.

The $300m Brazilian contract has been awarded to a European consortium led by MTE. This deal provides both for the electrification of about 600 kilometres of the railway system in Brazil and the supply of 60 electric locomotives.

Partners in the Group include MTE, Ateliers de Constructions Electriques de Charleroi, Alsthom-Atlanticque, Brown Boveri, AEG-Telefunken and Siemens.

● France has signed an agreement to provide India with FFr 600 (£62.5m) credit, Reuter reports from Paris. The credit will be provided through French treasury loans on favourable terms as export credits for the purchase of French goods. The credit is part of the FFr 1bn credit France promised India when President d'Estaing made a state visit there in January.

Gas exports dispute hinders Iran-Soviet trade ties

BY PATRICK COCKBURN IN TEHRAN

SINCE SANCTIONS were imposed on Iran by the U.S. and the EEC, the Government in Tehran has done everything to emphasise the ability and desire of the Eastern bloc and non-aligned states, such as India, to replace Western companies.

Given such expectations the economic protocol signed by the Iranian Economy and Finance Minister, Mr. Reza Salimi, last Friday appears somewhat disappointing.

The Soviet Union has agreed to help with 142 industrial projects, many of them existing Soviet contracts. These include the expansion of the Isfahan steel mill, the Arak machine tools plant, two large power stations at Ahwaz and Isfahan, and coal mining.

But the Iranian delegations found the Soviets less enthusiastic or talkative than expected. No agreement was reached on Iranian gas exports, the most important item in bilateral trade, and Moscow's prime economic concern in Iran.

Until the fall of the Shah the Soviet Union paid some £85m for 10bn cubic metres of associated gas a year. In 1979, however, the revolutionary Government in Tehran demanded a five-fold increase in the price of exported gas to £1.60 per 1,000 cubic feet, back-dated to the revolution in February. The Soviets accepted the back-dating but baulked at a price increase of five times the 32p per 1,000 cubic feet which they had paid the Shah.

Negotiations broke *down* in February this year and gas exports stopped, the Iranian negotiators swearing that they would sooner flare the gas than shave their new price. At the same time a project to supply natural gas to the Soviet Union via a new pipeline called Igat-2 was shelved.

This left the Soviets openly disgruntled. Perceiving the political advantages of increased economic co-operation with Iran, they wonder if present amity will be maintained when the U.S. hostages are released and sanctions ended.

They have also suffered from the general xenophobia and growth of red tape in Iran. Last year 2,000 Russians were working on the Isfahan steel mill expansion but thanks to difficulty in obtaining work permits the figure today is down to between 200 and 300.

Go-slows by Iranian customs officials at the rail crossing point with the Soviet Union at Julfa have also made it difficult to increase the supply of goods, much of which comes from Western Europe, to Iran.

In the last week, however, the number of wagons crossing the border has increased to about 300. Since it costs about £4,700 to bring a 20-ton trailer from the UK to Tehran via Turkey compared to £2,700 via Julfa, this has clear economic advantages for Iran.

The turmoil within the country has also put obstacles in the way of a rapid increase in imports from India, despite a visit last week by Mr. Reza Sadr, Iranian Commerce Minister. The main Iranian demand is for commodities such as cement, paper and sugar. Technology and machinery are only secondary considerations.

But India is already short of some of the commodities Iran requires and Indian businessmen, like their West European counterparts, find it extremely difficult to get letters of credit opened by Iranian banks. This is likely to restrain any rapid expansion of trade.

Dutch to press for easier EEC transport

By Rhys David

THE NETHERLANDS is to press strongly for the removal of many of the restrictions still imposed on the transport of goods within the EEC and will be looking to the UK for *support, Mrs. Nellie Smit,* the *Dutch Transport Minister,* said in Manchester.

Community

Mrs. Smit, who was addressing the annual meeting of the Netherlands-British Chamber of Commerce, said transport services were an area in which the Dutch had long specialised and in which they now intended to increase their export effort. The European Community, however, would first have to make sure that there were open frontiers not just for industrial goods but for transport services, and the Netherlands would be seeking this when transport policy in the Community was debated.

"A great deal of fuss and bother still has to be eliminated from the European border posts. We must also prevent individual countries from introducing transit levies as and when they feel like it. And a stop will have to be put to bilateral quotas *for road transport,* as is still the case between The Netherlands and West Germany, our major trading partner," she said. The Netherlands was prepared to accept conditions affecting social or technical aspects of transport and when the environment or safety were at issue.

Transport

Mrs. Smit also revealed that Dutch imports from Britain (including oil) rose in the first 8 months of this year to match Dutch exports to the UK at around £660m. Last year Britain exported goods worth £2.3bn to The Netherlands and imported goods worth £2.5bn. The main items of trade between the two countries were petroleum and petroleum products, chemical products, machinery and transport.

Tokyo set for truck sales drive

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAPAN is preparing for an attack on the principal commercial vehicle markets, according to a special report from the Economist Intelligence Unit.

The EIU forecasts that between 1980 and 1985 exports of Japanese commercial vehicles will rise by 14 per cent from 1.66m to 1.9m units.

In volume terms, small trucks will continue to predominate among the exports, accounting for an estimated 1.2m units this year and 1.4m in 1985.

But the major increase in percentage terms should be in exports of buses capable of carrying more than 30 passengers. The EIU forecasts exports will rise from 6,000 to 8,000 over the five-year period.

The report suggests that the Japanese road system is underdeveloped compared with Western Europe's and lower average distances are covered.

The result is that small and medium-sized trucks are favoured, rather than the larger rigid and articulated units which are commonplace in North America and Europe.

This means that Japanese producers have traditionally been unsuitable in the mainstream trucking markets of the West, but few observers doubt the inherent capability and inventiveness of the manufacturers there to pursue that line of product development," says the EIU.

The organisation has carried out an extensive research programme in Japan to examine the development, current status and future prospects for that country's commercial vehicle industry and the results are contained in the 319-page report.

As with cars, imports of commercial vehicles to Japan are minimal, mainly consisting of around 1,000 ordinary-sized trucks a year.

The Japanese manufacturers face a healthy growth in demand in their home market, according to the EIU. During the five years from 1980 total commercial vehicles sales are forecast to rise from 1.96m to 2.23m or around 14 per cent.

"A study on the Japanese Commercial Vehicle Industry," The Economist Intelligence Unit, Spencer House, 27, St. James's Place, London SW1A 1NT. £1,000.

Torvale in Mexico order

FINANCIAL TIMES REPORTER

A £1m CONTRACT, to supply the engineering expertise and the equipment for the mechanisation of a fully-automated copper tube mill in Mexico, has been signed by Torvale Engineering of Pembridge, Herefordshire.

The company, which has become widely accepted as world leader in this sort of project, will manufacture the equipment in the UK for delivery in September. It was originally to be made under licence in Mexico, and the switch to the UK gives Torvale Engineering one of its largest orders ever for a single plant.

Included in the equipment are multi-level storage conveyers, charging and discharging units for the finishing lines, accumulating and return conveyors, and numerous transfer units.

Yugoslav loan for Cubans

BELGRADE — A group of Yugoslav banks has approved a credit line of $40m (£17m) to the National Bank of Cuba to stimulate goods exchange between the two countries.

Mr. Raoul Leon, President of the Cuban bank, discussed the possibility of co-operation on third markets with Mr. Petar Kostic, Yugoslavia's Finance Secretary, on Tuesday.

SHIPPING REPORT

Gulf charters look healthy

BY LYNTON McLAIN

RATES for chartering in the oil tanker market moved sharply ahead last week and brokers forecast a healthy market in the future if the development continues.

Oil companies chartering vessels concentrated on supertankers and rates for very large crude carriers in particular rose with the prospect of further gains for tanker owners this week.

Activity centred on the Gulf and trading was active until the tail-end of the week and brokers expressed mild concern *whether* the buoyancy would continue.

French charterers covered their requirements with a 220,000-ton vessel for Western discharge at Worldscale 42½. Turkish charterers were reported to have paid some points more for a 250,000-ton vessel.

Japanese tonnage was noticeable only by its absence in the *Gulf* vessels were chartered from the area.

Nevertheless, a 50,000 ton vessel gained a charter to West Africa at Worldscale 125.

Brokers in London attributed the rising activity to a lack of tonnage for immediate chartering and to the substantial demand — especially for voyages across the Mediterranean — for all sizes of vessel.

World Economic Indicators

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

		May '80	April '80	March '80	May '79
UK	000s	1,483.8	1,458.1	1,413.9	1,306.7
	%	6.1	6.0	5.8	5.4
Germany	000s	766.8	825.4	875.9	856.0
	%	3.3	3.6	3.8	3.4
Holland	000s	205.3	202.1	210.5	211.1
	%	4.7	4.7	4.9	5.1
U.S.	000s	8,154.0	7,265.0	6,400.0	5,929.0
	%	7.8	7.0	6.2	5.8
		April '80	March '80	Feb. '80	April '79
France	000s	7,375.0	1,412.0	1,448.0	1,291.0
	%	6.2	6.4	6.6	5.8
Belgium	000s	300.0	302.0	306.0	290.0
	%	11.1	11.1	11.3	10.7
Japan	000s	1,180.0	1,240.0	1,114.0	1,240.0
	%	2.1	2.2	1.8	2.2
Italy	000s	1,696.0	1,752.0	1,740.0	1,625.0
	%	7.8	8.1	8.0	7.5

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Speaker's ruling over bribes charge sought

BY KENNETH GOODING

AN MP is to ask the Speaker today to refer the Rolls-Royce bribes row to the House of Commons Committee of Privileges unless Mr. Jeff Rooker can substantiate his allegations or makes an unconditional withdrawal of his charges.

Mr. Rooker, Labour MP for Perry Barr and an Opposition front bench spokesman on Health, used the protection of Parliamentary privilege last Wednesday to accuse a Rolls-Royce employee, Mr. Frank Turner, of accepting a bribe to favour a Fiat machine-tool subsidiary which was competing with the Coventry company, company, Webster and Bennett.

Mr. Turner has strenuously denied the allegation, and has challenged Mr. Rooker to repeat his charges outside Parliament.

Mr. Peter Rost, Conservative MP for Derbyshire South-east, the constituency in which Mr. Turner lives, said yesterday: "I intend to ask Mr. Speaker if he is satisfied that the reputation of Parliament and the absolute power of privilege will not stand abused unless Mr. Rooker is requested to make an immediate personal statement.

"The most grave and damaging allegations of bribery and corruption have been made directly against one of my constituents, and by implication, against the Rolls-Royce management, many of whom are also my constituents.

"These allegations have been strenuously denied but my constituents cannot establish their innocence and attempt to clear their damaged reputations, nor see justice, without the assistance of Parliament."

Mr. Rost said he will ask the Speaker, Mr. George Thomas, to request Mr. Rooker either to lay before Parliament the detailed evidence on which he based his allegations or to withdraw them unconditionally.

If Mr. Rooker fails to do either, Mr. Rost will ask for an investigation by the Committee of Privileges.

A request does not necessarily lead to an investigation. It is the Speaker and his advisers who decide.

Over the weekend, Mr. Rooker refused to comment on or add to his Commons statement.

Rolls-Royce will continue its informal inquiry into Mr. Rooker's allegations this week, and it could be completed by Wednesday.

During the weekend the company described as "nonsense" suggestions that it was changing its "buy British" policy and that this was the underlying reason for the concern among trade unionists who had contacted Mr. Rooker.

Rolls-Royce pointed out that it continued to buy Webster and Bennett vertical turret lathes, including three of the new ones which the Coventry company introduced at the machine tool exhibition in Birmingham this year.

The group explained that it selected vertical turret lathes made by Morando, the Fiat subsidiary, for its Sunderland aero components factory because that was the only company which could satisfactorily deal with a very tough material, Waspalloy, used to make a high pressure turbine disc.

Because of the close relationship between Rolls-Royce and Webster and Bennett, the Coventry concern has provided 190 of the 307 machines now working in Rolls-Royce factories, the two groups worked together in an attempt to solve the problems.

By 1978, the year in which it was decided to expand the Sunderland factory, two Morando vertical turret lathes were working satisfactorily at Rolls-Royce.

"With their recent experience of the relative capabilities of the two makes, the company's engineers decided it was pointless to ask Webster and Bennett to tender for the Sunderland factory work since the continuing experiments had failed to produce satisfactory results.

"As recently as mid-1979 a specimen Waspalloy disc was sent to the Coventry company with the request that it carry out machining trials. To date these trials have not been completed."

Deepening recession strengthens call for interest rates cut

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

FURTHER EVIDENCE of the deepening recession in Midlands industry is provided in a survey of business confidence published today by the Birmingham Chamber of Commerce.

The chamber claims: "These are the most gloomy set of results with which we have been faced in the history of the survey."

Responses from a cross section of Birmingham companies indicated a sharp drop in home and overseas orders, reduced output, and fears of declining profits and mounting unemployment.

Mr. John Warbuton, director of the chamber, called last night for an early cut in interest rates and for moves towards incomes restraint.

"Only this way, the chamber feels will the recession in industry be decelerated so as to justify continued investment for future demand when the economy stabilises and—hopefully begins to turn up," he said.

Pressure from the chamber, which tends to represent smaller business will give support to the call by the West Midlands region of the Confederation of British Industry for Government action to ease the pressure on industry.

Mr. Reg Parkes, chairman of Brockhouse and of the regional CBI, warned last night that the manufacturing base of the Midlands was being eroded. Without an early initiative from the Government the decline would continue.

"Industry needs some indication from the Government that they understand the problems business is now facing. Even a token gesture—like a two point cut in interest rates—would help improve confidence."

Mr. Parkes maintained that high interest costs were forcing companies to halt investment. "This has a ripple effect right through the economy, and slows down the pace of activity," he said.

Concern at the problems of West Midlands Industry prompted a debate in the Commons on Friday, but Mr. Adam Butler, Minister of State for Industry and a hardline monetarist offered little comfort.

He warned that the next few months would be "rough and tough" with more bankruptcies, redundancies and closures. The Government would stick to its monetary policy with determination. There would be no "U-turns."

Private inquiry opens into sanctions-busting charges

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE MOST comprehensive and searching investigation yet made into allegations that major oil companies were guilty of Rhodesian sanctions-busting will begin today in private.

At the Piccadilly Hotel in London, Lonhro, the multinational conglomerate, will attempt to prove that Shell and BP conspired with the rebel Rhodesian regime to keep oil flowing into the country throughout the 14 years of UDI.

The allegations will be strongly contested by the oil companies. The dispute will be heard by a distinguished panel of arbitrators: merchant banker and former High Court judge Sir Henry Fisher, nominated by the oil companies, and Dr. J. Mota, a Portuguese international lawyer nominated by Lonrho, with Lord Cross of Chelsea, a Law Lord, as umpire.

The arbitaration is expected to last for three months.

Because of the nature of the hearing—an adversarial conflict between the lawyers retained by the two sides, and with cross-examination of senior management men from the oil companies — it could uncover more about what happened during UDI than either the inquiry conducted by Mr. Tom Bingham, QC, who merely took evidence and heard submissions, of the police investigation instituted by the Attorney-General.

The precise nature and scope of the latter investigations are somewhat obscure, but it resulted in the Government's decision not to bring prosecutions for sanctions-busting against any oil companies.

The matter is being dealt with by private arbitration rather than a public court hearing because in January, 1978, a High Court judge upheld a plea by Shell and BP that the dispute as it affected them was covered by an arbitration clause in the agreement that forms the basis of Lonrho's claim.

This dispute stems from 1962, when seven oil companies, including Shell, BP, Caltex, Total and Mobil, contracted with the Federation of Rhodesia and Nyasaland to build an oil refinery at Feruka, near Umtali, in Rhodesia.

Under the agreement—known as the Shippers' Agreement — Lonrho undertook to construct and operate a pipeline from Beira in Mozambique to Feruka. The seven oil companies undertook to channel all their oil supplies through the pipeline, paying Lonrho for the privilege.

The pipeline came into service in January, 1965, and closed in December, 1965, after UDI and the imposition of sanctions by the UK Government, which made it a criminal offence for a UK company to supply oil to Rhodesia.

In spite of sanctions, the rebel regime survived for years, without, apparently, suffering from any shortage of oil.

In 1977 Lonrho issued a writ claiming injunctions and damages against the seven major oil companies and 20 other defendants, most of them Southern African subsidiaries of the seven, all of which, it alleged, had contributed to losses suffered by Lonrho, put at around £100m.

Lonrho contends that it was an implied term of the agreement that the oil companies would do nothing to cause the pipeline to be closed, or to prevent themselves being in a position to channel their oil through it.

In breach of that term, alleges Lonrho, the oil companies continued to supply oil to Rhodesia after UDI, by means other than the Lonrho pipeline.

It also alleges that the oil companies treasonably conspired with the rebel Rhodesian government to circumvent sanctions and keep vital oil supplies flowing into the country.

Shell and BP, who have throughout denied sanctions-busting, also deny allegations of breaches of their contract with Lonrho.

In January, 1978, Mr. Justice Brightman held that he had no choice, because of the 1975 Arbitration Act and the arbitration clause in the Shippers' Agreement, but to stay Lonrho's court action against Shell and BP in favour of an arbitration.

The judge said it was a pity that the court was not given a discretion in the matter, because he would have preferred to have had an opportunity to consider and decide whether it might not be better for all of Lonrho's claims to be dealt with in a single proceeding before the High Court.

Lonrho then applied successfully for leave to amend its writ so as to add additional defendants to its remaining High Court action. They were Shell International Petroleum, which was not a party to the Shippers' Agreement, and three oil company executives.

The three, all of whom had been closely associated with Shell or BP during the relevant period were: Sir Frank (now Lord) McFadzean, former chairman of Shell-Transport and Trading Company and managing director of the whole Royal Dutch/Shell group from 1964 to 1976; Mr. Dirk de Bruyne, president of Royal Dutch Petroleum and a Shell T and T managing director; and Mr. A. H. Sandford, a former BP senior executive.

None of these will be directly involved in the proceedings beginning today.

Navy tightens arms depot security

THE NAVY is improving security at its armament depots throughout Britain "in view of the threat to the integrity of our depots from vandalism, etc.", it said yesterday.

It is understood that "etc." refers to terrorist attack.

At Dean Hill, Wiltshire, better security fencing is being provided, together with additional lighting and electricity generators. A helicopter pad is to be built.

The Navy refuses to discuss what is in its depots, but it is understood they hold the complete range of weaponry from high exposives, bombs and torpedo warheads, to small arms and ammunition.

Severn could provide tide power by 2000

BY MAURICE SAMUELSON

A TIDAL BARRAGE to generate electricity from the Severn estuary could be in production by the turn of the century, says Sir Hermann Bondi, the Energy Department's chief scientist.

He heads a committee which told the Government recently that the scheme is technically feasible.

It gave a choice of barrage. The more westerly, from near Minehead to Aberthaw, near Barry, could generate 15,000 megawatts. This is equivalent to the capacity of the crash programme of nuclear power stations. The other, shorter barrage, higher up the estuary, could yield about 8,000 megawatts.

Construction of the barrage, first suggested 50 years ago, would take about 12 years, said Sir Hermann.

He told the Financial Times he expects the Government to give its reaction to the committee's report by the middle of next year. A decision to go ahead could be taken in 1984. Work could begin in 1988.

The cost has been estimated at anything between £3bn and £8bn. Whatever the state of the economy by the year 2000, the scheme would be a large proportion of the country's generating capacity. The Central Electricity Generating Board's present capacity in England and Wales is 56,000 megawatts.

The decision to proceed with the scheme will depend on estimates of its economic viability. The anti-nuclear lobby is likely to see it as a safe alternative to nuclear power stations.

Midlands airport in £13m boost

THE LOCAL authorities which own the East Midlands Airport at Castle Donington, near Derby, have authorised a £13m investment for its development over the next five years. About £7m will go for runway extensions if approved by a public inquiry.

More than £3m will be found from the airport's own surpluses. Mr. Gerald Daniel, of Nottinghamshire County Council, the airport treasurer, said the airport's success story would continue "because we have taken strong action to develop the commercial aspect."

Passenger movements increased by 8.2 per cent and freight by 13.9 per cent in the last 12 months. The airport had an operating surplus of £1.07m in the year.

Recession hits Lawn Mills

ABOUT 150 workers at Lawn Mills, Mansfield, will be put on a three-day week from today because of the clothing industry recession. Courtaulds said the short time would last initially for four weeks. Low cost imports and the strong pound were blamed.

Last week it was announced that more than 700 employees of two other Courtaulds subsidiaries at Spondon, Derby, are to be made redundant because of a decline in the nylon yarn market. Less demand in the home market and the pound's strength are also responsible.

Marquis to sell vase collection

THE MARQUIS of Northampton is to sell his Castle Ashby collection of Greek, Etruscan and other vases at Christies on July 2. One of the richest in the world, it is expected to fetch £250,000 to £275,000.

The sale comprises some 100 lots. The collection, offered in its entirety, was formed by the second marquis in the early part of the 19th century.

Ireland may become oil producing region

BY SUE CAMERON

A "MAJOR turning point" may have been reached in the development of oil fields off the coast of Ireland, which could become a new oil producing region, says a report published today by stockbrokers Wood, Mackenzie.

The report says British Petroleum and Aran may have found recoverable reserves of between 200m and 300m barrels of oil in the deep waters of the Porcupine Sea Bight, which lies to the south-west of Ireland. The BP/Aran group discovered oil there last year, but it is still too early to quantify accurately the size of the find.

Substantial technological problems will have to be overcome if appraisal drilling shows the discovery to be commercial. Production wells deeper than any in the world may have to be drilled.

"To date the world's deepest offshore development is in just over 1,000 ft of water in the Gulf of Mexico," the report says. "In rough North Sea weather and swell—more akin to Ireland—the record is just over 600 ft. With depths of between 1,200 and 1,500 ft and full exposure to the Atlantic, the area off the west coast of Ireland will pose many new problems."

Even under optimistic assumptions, oil is unlikely to start flowing before 1983 or 1984. The report also warns that the "technical difficulties of deep water production could prove too daunting."

But a field of as few as 100m barrels might be expected to provide royalty and tax revenues of at least £1bn and possibly £2bn. Such a field could provide about 50 per cent of Ireland's domestic oil consumption in a peak production year, and would have a considerable impact on its economy.

● *Ireland — The Next Oil Province? Wood, Mackenzie, Erskine House, 68-73, Queen Street, Edinburgh, EH2 4NS. £100; IR £110 or $250 overseas.*

New delay hits plans for docklands site

BY ROBIN PAULEY

ANOTHER delay has arisen in the long saga of trying to find a suitable developer for the key 140-acre Southwark site in London's derelict docklands. Unless the issue is quickly resolved by the local authority, it could be handed over to the yet-unformed Docklands Urban Development Corporation.

Although two short lists of developments have been considered this year Southwark Council's planning committee has asked for all 15 original schemes to be put to it again at a special meeting tomorrow. This takes the position back to exactly the same stage as at the beginning of February.

One reason may be that the future of the controverial plans to build a £240m docklands southern relief road were put into further doubt when it was omitted from the recent transport White Paper. But none of the schemes is wholly conditional on the road being built, although most of the potential developers were anxious that adequate communications and infrastructure should be provided.

The Southwark site in Surrey Docks has an unhappy history. Since 1978 Southwark Council has spent about £15m on the site, including land costs.

A potential developer, Trammell Crow, the American-owned trade mart specialist, withdrew its plans for the site last year when the Government refused to provide the financial guarantees requested. They have been resubmitted this year

Early this year a joint working party from the Greater London Council and Southwark Council, joint owners of the site, chose a shortlist of five including two leading Dutch developers. The British contingent was Lysander Estates, a new company; Taylor Woodrow and George Wimpey with a £400m shopping, hotel and office complex; and Asda (Associated Dairies Group).

Taylor Woodrow was dropped from the shortlist in the spring, probably because its scheme concentrated too heavily on shopping, and all 15 schemes went on public display. The favourite was, and is still thought to be, a combination of part of Asda's plan for shops, industry and commerce, together with part of one of two other schemes which were not short-listed in their own right.

One is the "Southwark Quays" proposals for a high technology science industrial park by St. Mary at Hill Properties, jointly owned by the Sir Robert McAlpine group and Guinness Peat, merchant bankers. The other, less likely partner, is the Earth Life scheme with which Professor Kit Pedler is associated and which proposes small workshop development.

If the site's future is not decided soon any time advantage over the proposed Docklands Urban Development Corporation covering most of London's eight square miles of dockland, will be lost.

The legislation for the development corporation is expected on the statute books by the autumn and it should be fully operational by the new year.

The shadow chairman, Mr. Nigel Broackes, chairman of Trafalgar House, has been meeting with bankers, financiers and investors, and getting an enthusiastic response.

Sports car makers face U.S. action on import rule breach

BY JOHN GRIFFITHS

TVR, SPECIALIST sports car manufacturer based at Blackpool, hopes to settle out of court a criminal action bought against it by U.S. customs which could bring fines and possible imprisonment to officials of the company and its U.S. distributors.

It has appointed lawyers who hope to convince the U.S. authorities that a customs declaration which wrongly stated that a shipment of its cars met U.S. safety and emissions standards was simply a form-filling error.

If so, it was a costly one: armed customs officers swooped on the premises of distributors Pierre J. Arquin at McLean, Virginia, seizing 18 cars worth over £½m. The cars remain impounded.

TVR and Arquin each face eight charges relating to allegedly misleading the authorities over the cars' specification.

Until two years ago, the U.S. authorities turned a blind eye towards the importing of specialist cars which did not fully meet U.S. speeifications, because the numbers involved were very small and because full-scale crash testing was highly expensive for such small producers. Since then, the rules have been tightened.

But Mr. Martin Lilley, TVR's managing director, said at the weekend that since two years ago its cars shipped to the U.S. had been modified to meet U.S. standards and shipped with a customs declaration to that effect.

Recently, however, because most of this special equipment was bought in the U.S., it was decided to ship the cars without it and fit it at Arquin's Virginia premises.

"That is perfectly legal," said Mr. Lilley. "The trouble was, our 'X' on the customs form got put into the old, now wrong, box."

The cars impounded were part of the last consignment of 3000M two-seaters to go to the U.S. before the launch of TVR's new Tasmin coupe three months ago.

Mr. Lilley said that the new model was not being shipped to the U.S. because UK and European demand for the Tasmin was adequately filling order books.

The U.S. has always been a fairly marginal market for TVR. It has set an annual production ceiling, irrespective of demand, of 300 cars and these are sold mainly in the UK, with a third of production going to West Germany.

The Tasmin is undergoing its EEC tests, and is to be launched in Belgium and West Germany next month. "We are not yet at the stage of even considering it for the U.S. market," said Mr. Lilley.

No date has been set for a court hearing.

Thorn goes into video film hire

By John Griffiths

AN AGREEMENT has been reached by Thorn Television Rentals and Magnetic Video, a 20th Century Fox subsidiary, under which 43 feature films will be offered for rental at Thorn's 1,200 UK TV rental showrooms later this year.

The films are to be made available initially on a test market basis through selected showrooms of the Thorn Rentals Group.

Three days' hire will cost £5 and there are plans to broaden the offerings by the end of the year. The present list includes such titles as Butch Cassidy and the Sundance Kid and M.A.S.H.

Until now, films have been available on a sale basis only at Thorn's DER showrooms.

The number of video recorder units in the UK exceeds 250,000, of which about 80,000 are rented through Thorn outlets. The figure is expected to nearly double by the end of this year.

Thorn acquired EMI, including its films and music business, earlier this year. The latter matched to Thorn's manufacturing and distribution capability, is expected to prove a substantial asset in providing the software for Thorn's planned drive into the video market.

Health staff warn of mounting anger over pay

BY PAULINE CLARK, LABOUR STAFF

UNION representatives of more than 150,000 staff in key health service jobs are to meet Mr. Gerard Vaughan, Health Minister on Wednesday to warn him of mounting anger over pay restraints.

The special health committee of the National and Local Government Officers' Association will protest at any Government attempt to impose a 14 per cent ceiling on this year's health service pay increases.

The powerful hospital engineers — the area and district maintenance supervisors who seriously disrupted hospital services in a 1978 pay dispute — are expecting to get a 14 per cent offer at a meeting with employers tomorrow.

The 3,500-strong group, of whom 75 per cent are NALGO members, could join nurses, paramedical staff and hospital administrative and clerical workers in a campaign against the cash limits ceiling.

Industrial action by the group has previously had a quick effect on the provision of central sterile supplies and laundry to hospitals.

The union's emergency committee representing members in the 37,000-strong paramedical staff group, including hospital radiographers, physiotherapists and occupational therapists, meets today to consider the next step in its pay battle.

Resistance to the effects of Health Service cuts on nurses is also being planned by the Royal College of Nursing.

The union's working party on Health Service budget reductions claims that health authorities are trying to save money by increasing charges for staff facilities—such as creches—to the extent that their use becomes uneconomic, "thus justifying withdrawal of the facility."

Its findings, published in the latest issue of the RCN Nursing Standard, also claim that facilities are withdrawn without proper consultation or agreement; that there are "unreasonable delays" in reimbursement of expenses; and that the 37½-hour week is being introduced unilaterally and in unacceptable ways.

The working party recognises that money is short in the NHS, but it does not accept "that this can justify the introduction of measures adversely affecting nurses without proper use having been made of recognised negotiating and disputes procedures."

Change in policy for bad-debt accounting puzzles bank analysts

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

LEADING CITY bank analysts are puzzled by what appears to be a significant change in at least one major clearing bank's policy on accounting for bad and doubtful debt provisions.

The point at issue is the method used by the clearers to set aside provisions to cover bad debts at their year end dates. Typically, the amount set aside includes a specific and a general element—the general element relating to latent bad loans in the portfolio which have not been specifically identified.

When the big clearers first published information about their bad debt provisions in their 1978 accounts, it emerged that only one bank—Barclays—appeared to be making its general provision on the normal accounting basis, by deducting from profits an amount equivalent to the extra loan provision required.

Each of the others was understood to be making the general provision on a net basis. This meant that if a bank wanted to provide for debts of £100 it needed to set only about half of that as a charge against profit, on the grounds that when the debts eventually were proved bad they would qualify for tax relief.

In explaining its method of making the general bad debt provision, National Westminster Bank included a note in its 1978 accounts to the effect that "in considering its adequacy the directors recognise that in the event of its use against specific bad debts, tax relief would then arise." Lloyds and Midland had similar statements.

On careful reading of each of these banks' annual reports analysts have now discovered that the reference to general provisions being set up on a net basis has disappeared. They have established that National Westminster Bank now says it creates its general provisions on exactly the same basis as Barclays states its policy to be. Lloyds, on the other hand, still says its provisions are made on the net basis.

Accountants in the clearing banks admit that the whole area of general bad debt provisions has become very difficult, it is also clear that individual clearing banks know only a limited amount about the accounting methods of the others in this area. A standardisation committee set a few years ago made little progress.

The explanation that most of the banks were making general bad debt provisions on a net basis came when it was becoming apparent that there were vast disparities in individual banks' provision ratios.

Tories ask U.S. 'Bring in double tax curbs soon'

A STRONG call for early passage of a U.S. Senate Bill to curb the taxation of foreign companies by individual States on a proportion of their worldwide profits has been issued by Mr. Michael Grylls, vice-chairman of the Conservatives' Industry Committee, writes John Griffiths.

The Bill is to be the subject of a hearing tomorrow before the Senate Finance Committee.

Mr. Grylls, in a letter to Senator Walter Huddleston, one of the Bill's co-sponsors, voices deep concern that the continued use of this method of taxation could force UK companies to pull out of those States where they are subject to its "abuses." He was writing on behalf of the "Unitary Tax Campaign," a British business-based pressure group aimed at dismantling the system.

The UK Government used the exchange of a convention with the U.S. in March on a double taxation convention to protest formally about the practice. In assessing tax by a formula based on a proportion of a company's worldwide profits, it contravenes generally agreed OECD taxation principles, the Government argued.

The British view is that the tax consequences are unpredictable and arbitrary, could still lead to double taxation and hampered business and investment.

Mobil recently lost a Supreme Court appeal against Vermont's use of the method for Mobil's tax bill. But California, formerly one of the biggest users of the principle, has now passed a Bill restricting its use.

The original double taxation treaty was to have included restrictions on unitary taxation, but was removed as a subject requiring formal Federal legislation.

Tomorrow's Senate committee hearing is a step along the way. A similar Bill was introduced in the House of Representatives last autumn and is still being processed.

Bigger prizes help Premium Bond sales

By James McDonald

WITH THE new bigger jackpot prizes starting next month—a monthly jumbo prize of £250,000 and weekly pay-outs of £100,000, £50,000 and £25,000—sales of Premium Savings Bonds were brisk in May. The net inflow of £10.6m was the highest since January 1979.

The number of prizes will not be considerably greater under the new prize structure, but the total pay-out will be about £8.1m each month compared with £6.5m.

Sales of Retirement index-linked National Savings Certificates also continued buoyant in May at £45.5m. With repayments remaining low at £4.7m, there was a net intake of £40.8m, reports the National Savings Department.

The net inflow of other Savings Certificates was £11.9m, but there was a net outflow from the National Savings Bank of £17.2m from ordinary accounts and of £5.1m from investment accounts.

Monthly contributions to the index-linked third issue Save As You Earn continued to increase, and in May amounted to £10.7m—about £1m higher than in May last year. The rate at which new contracts are being opened continued to increase, with 16,000 opened last month.

Overall, provisional returns for National Savings in May show receipts of £298.4m and repayments of £195.4m, both including accrued interest. Total funds administered by the National Savings Department now stand at £13.66bn.

Rail union leader warns of fight over sale of BR assets

BY OUR LABOUR STAFF

MR. SID WEIGHELL, leader of Britain's biggest rail union, yesterday warned the Government that railwaymen will fight any moves to sell British Rail's subsidiaries and the British Transport Docks Board to the private sector.

Mr. Weighell, general secretary of the National Union of Railwaymen, said: "We serve notice now that the NUR cannot and will not permit this further assault on the vital interests of members without fiercest opposition."

His warning was contained in a political report to the NUR, which holds its annual conference in a week's time.

His attack was aimed at proposals by Mr. Norman Fowler, Transport Minister, for introducing private capital into the docks board and for setting up a holding company for British Transport Hotels, Sealink and the British Rail Property Board.

"We are in no doubt that the holding company will be a halfway house to the complete disposal of the profitable parts of the subsidiaries to the private sector," said Mr. Weighell.

In those circumstances, the NUR was bound to express "the utmost scepticism about the encouraging noises" that had come from the Minister on the retention of the railway network, the Channel tunnel and electrification, he added.

● At a Fabian Society incomes policy conference in London, Mr. Weighell said no Government could hope to run an ordered economy without "some measure" of control over wages and salaries.

Mr. Weighell believed the question of incomes policy had rightly returned as a central concern in planning the economic strategy of the next Labour Government.

"It may be that the movement will turn its back on a planned aproach to incomes, but make no mistake about it, it is an issue that will not go away and nor will it allow us to run away from it," he said.

Mr. Weighell said a planned approach to incomes could only be realised in the context of a planned approach to the econonomy as a whole. This meant planning for investment, prices and dividends as well as for wages.

In the short- and medium-term, he said, considered restraint on wages was required while the country's resources were channelled into wealth-creating investment.

He made clear, however, that an incomes policy would only be tolerable to trade unionists if the restraint was seen to be shared equally and the policy directed towards improving living standards — espectially for poorer members of the community.

Prospects of reduction in MLR viewed with caution by City

THE CITY remains highly cautious about the prospects for a reduction in Minimum Lending Rate following the renewed rise in money supply growth last month.

The consensus view of the latest batch of stockholders' circulars released over the week-end seems to be that a small cut could possibly come next month, but is more likely to be delayed until later.

Broking firm Scrimgeour Kemp-Gee says in its monthly gilt-edged review that exchange rate pressure for a cut in MLR will remain strong as a result of the fall in interest rates in the U.S.

Domestic considerations seem to preclude a reduction before mid-August, but the external pressure is likely to lead to a cut shortly afterwards, it says.

The firm says sterling M3 money supply aggregate may be inflated by as much as 4 per cent during the rest of the year as a result of reflows of funds which were previously diverted out of the banking system by the Bank of England's now-abolished "corset" controls.

Excluding these reflows, the authorities may have to restrain the annual growth of sterling M3 to about 6 per cent between May and November.

This reinforces Scrimgeour's view that the Government will exercise caution in cutting interest rates.

Brokers Carr Sebag say that a modest cut in MLR next month would be justified, but the Government may delay the move to avoid giving misleadingly "accommodative" signals to wage bargainers.

Montagu Loebl Stanley comments that a substantial build-up of liquidity in the banking system should allow a reduction in MLR by late July or early August. It estimates that MLR will reach 13 to 14 per cent by the year-end.

W. Greenwell's latest monetary bulletin expresses the generally-felt disquiet about the increase in central Government borrowing that was the main cause for the faster growth of money supply during May.

It renews its calls for "meaningful" public spending cuts and a reduction of financing pressures on industry through a curtailment of Government sales of long-term stock.

Six grants by Equality Board

THE EQUAL Opportunities Commission has granted £23,198 for six educational and research projects for this financial year, and a further £4,653 for two of these projects for next year.

Among the subjects are a survey on discrimination against single parents, research into the effects on women of local authority housing allocation in Scotland and a publication about women and community work.

Jason Crisp on the first electronic mail system

Lift-off for Intelpost

THE FIRST thread of what may eventually become a complex global communications web was spun last week when the first international public electronic mail system joined London with Toronto.

Anyone in the London postal district wanting to transmit a document to Toronto urgently can get a facsimile of it there in hours by Intelpost.

Assuming the first links are successful, this will eventually become an international network where documents are sent electronically via satellite to major centres.

Many companies have private systems for facsimilie transmission, which may be sent over the public telephone network, but Intelpost is the first public service between countries.

Intelpost is more sophisticated than the system most companies use. Once the Post Office has the document — either handed in at the Stock Exchange post office or collected by the Post Office's courier service, Expresspost — it is scanned in a few seconds by a machine which transfers the information to a computer capable of storing up to 1,000 pages at a time.

That sends the signals to an Earth station at Goonhilly in Cornwall, which beams them up to a satellite and down to Toronto, where the same thing happens in reverse.

The result is a facsimile like a photocopy of the original document, including typescript, handwriting and diagrams. It is expensive — £4 for the first sheet of A4 size and £2 for the subsequent ones. But it is cheaper than sending it by courier. The Post Office says it will take three hours for a document handed in at the Stock Exchange to be ready at Toronto, although transmission time takes less than two minutes.

Other postal authorities are interested in Intelpost. The Netherlands is expected to have a link with London later this year. But there are two main difficulties to the rapid worldwide expansion of the service.

FACSIMILE MACHINES

	UK digital	UK analogue	W. Germany digital	W. Germany analogue	Europe (total)	N. America (Total U.S. & Can.)
1980	2,200	8,800	2,100	10,900	57,000	273,000
1985	23,000	16,200	26,000	13,000	166,000	415,000

Source: Mackintosh Consultants

One is the complexity of regulations governing posts and telecommunications in Western countries. These prevented the first link being made with the U.S.

The other is the postal unions. They may see their jobs threatened by electronic mail, although the threat may only be in the long term. After extensive consultation, the British postal unions have not objected to Intelpost.

The move by public telephone authorities into electronic mail is a response to an expected sharp growth in the use of privately owned equipment which would usually be connected by the public telephone network.

Mail can be transmitted electronically in two ways; by fascimile or by text. Fascimile is roughly equivalent to photocopiers communicating with each other. Text transmission involves electronic typewriters —or, more probably, word processors—communicating with each other.

The advantage of fascimile is that it can reproduce letter-headings, diagrams and signatures. The advantage of text transmission is that is is much quicker and cheaper because it requires only a few electronic signals, like a morse code, to convey a single letter. A character scanned in a fascimile machine needs thousands.

The Swedish and German authorities are developing a public network for text communication called Teletex, effectively a super Telex.

The private sale of fascimile machines look as if it may take off in the UK and Europe at last. Mackintosh Consultants predicts that the number of adpredicts that the number of advanced digital facsimile machines in the UK will increase ten-fold in the next five years, although from a small base.

There are three broad categories of fascimile machines. Groups 1 and 2 use an analogue signal (waveform) and are relatively slow, although some of the latter are getting faster. Group 1 takes about six minutes to send a sheet of A4, Group 2 about three minutes. Group 3 is digital and takes about 30 seconds to one minute. The significance of the groupings is that international standards are set for each. If manufacturers comply with them, their machine are compatable and can send and receive from those of other manufacturers.

This opens up much wider possibilities for general communication, like a Telex. Most companies use facsimile for fixed and regular purposes—for example the Financial Times uses a number of facsimile machines to send articles to Frankfurt for the European edition.

The Group 1 machines, dominated for many years by Rank-Xerox, have the largest share of the market. But now much more interest is being shown in the faster Group 2 and 3 machines.

Almost all are made outside Britain, except for one model marketed by Nexos, the National Enterprise Board's office-equipment subsidiary. This is from Muirhead, the maker of specialist facsimile for meteorological and newspaper use. The other Muirhead machine, also sold by Nexos, is made by Oki.

Plessey sells machines in all three groups made by Matsushita. Other companies selling machines include Dex, 3M, ITT and Kalle Infotech, a subsidiary of Hoechst. This holds the lion's share of the Group 3 machines in the UK, selling a product of Ricoh, the Japanese company. A machine made by Siemens can be rented from the Post Office.

Other companies may well enter the market, particularly from Japan where, because of its complicated caligraphy, considerable use has been made of facsimile—even in the homes.

There is strong interest at the moment because the Comite Consultatif International Telegraphique et Telephonique, the standard setting body, has drawn up the standard for Group 3 which will be ratified later this year. Facsimile will also be an essential part of the so-called office of the future, for which so many companies are competing.

Outside Japan and the U.S.—where long distances between locations have encouraged its growth—facsimile is still in its infancy. Whether it will grow up is not certain.

It is likely to face increasingly tough competition from communicating word processors and in five years from combined text and graphics machines. These work in facsimile mode for letterheads, graphics and signatures and for the rest of the time in a simple cost-saving text mode.

While the office of the future remains largely a hope, the Post Office plans to open facsimile centres in about 20 post offices around the country. These will not be using the satellite, but the more down-to-earth Group 3 machines.

Government intervention 'inevitable'

By Our Labour Staff

CONTINUING GOVERNMENT intervention in industrial relations is inevitable in the present economic climate, according to Mr. Richard Dixon, director of social affairs in the Confederation of British Industry.

However, he told a conference on productivity held in Sussex at the weekend, that such intervention need not be harmful — provided the essentially limited things Government could do were fully understood.

It was also provided that intervention — or its prospect — was not taken as an excuse by management, employees and their representatives "as an excuse by management, employees and their representatives "as an excuse to duck their responsibilities" in working together to improve business performance.

Boston docks faces strike

SIXTY maintenance men threaten to close the docks at Boston, Lincs., because of a dispute about negotiation rights for pay and working conditions.

The Transport and General Workers' Union has issued strike notices effective from July 14. It says out-dated agreements have made the men "the poor relations of other east coast ports."

Last year the docks handled 1m tonnes of cargo for the first time in its 100 years. The borough council has warned that a strike will be disastrous because lost trade might never be recovered.

Scargill calls for pit jobs action

By Our Labour Staff

A CALL to miners for a major campaign backed by industrial action if necessary to defend pits and jobs has been made by Mr. Arthur Scargill, Yorkshire miners' leader.

He said at an annual demonstration of Yorkshire miners in Wakefield that the National Coal Board had decided to shut at least 50 pits and to reduce the industry over the next few years to between 80 and 100 "so-called super pits" with a manpower of about 100,000.

Such a policy, he said, would result in the closure of more than 130 pits with 180,000 miners losing their jobs.

"This at a time when rocketing unemployment is a recipe for economic, political and social disaster."

It was a virtual re-run of the 1960s when the industry was severely butchered by Lord Robens, he said.

Mr. Scargill called for a four-day week for miners, £10,000 a year for coal face workers and retirement at 55.

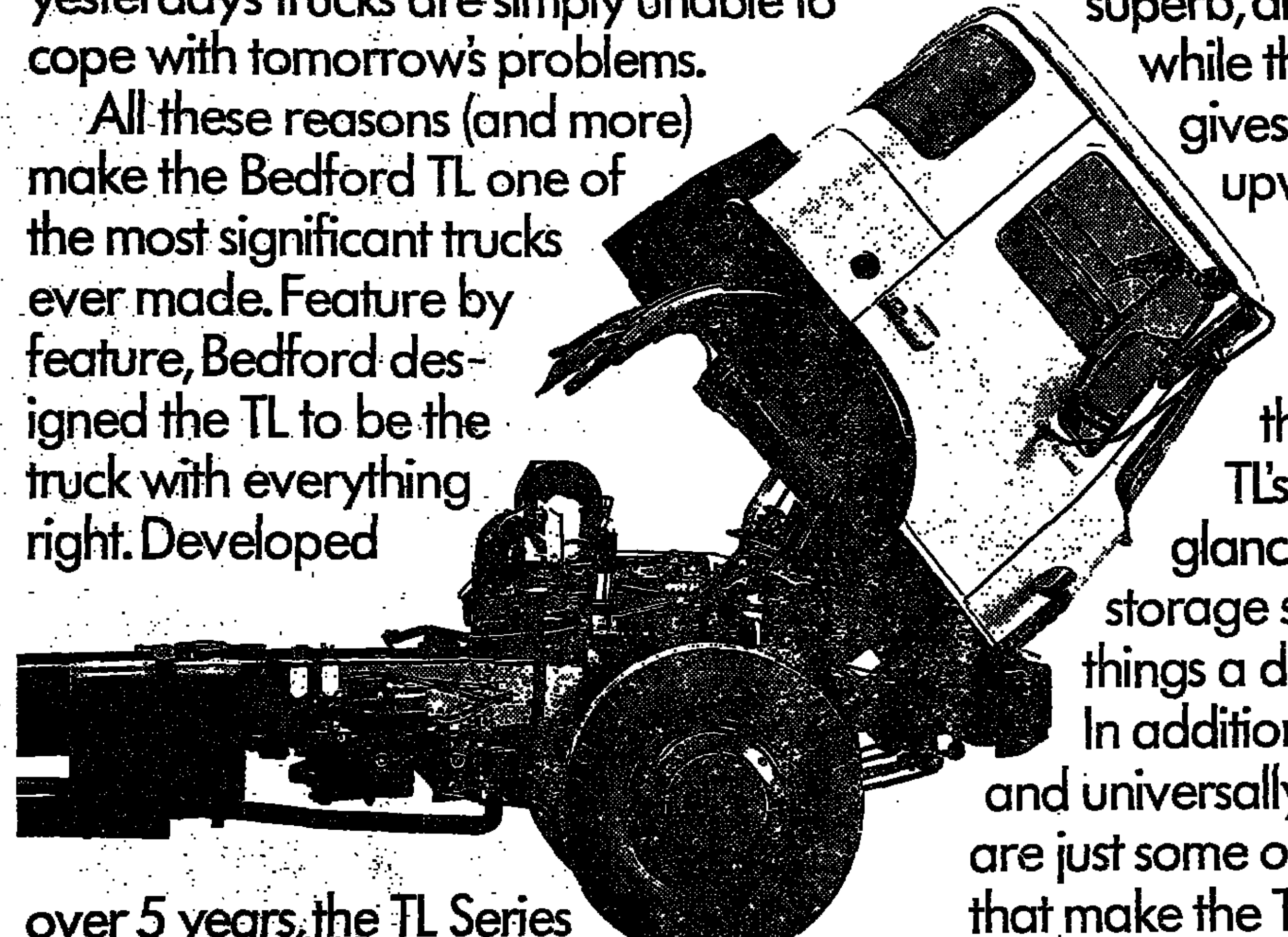
The demonstration called for development of at least 30 new pits and expansion of existing collieries towards a production target of 200m tons a year.

The NCB yesterday denied Mr. Scargill's closures claims. It said the National Union of Mineworkers was kept closely in touch with developments through a joint quarterly review of collieries' performance.

AS EVER BEDFORD GETS PRIORITIES RIGHT.

The future of British industry depends on its ability to deliver its products as efficiently as possible. Yet the problems of the last decade have made the economical delivery of goods harder to achieve. An era of high inflation and soaring fuel costs has meant many of yesterday's trucks are simply unable to cope with tomorrow's problems.

All these reasons (and more) make the Bedford TL one of the most significant trucks ever made. Feature by feature, Bedford designed the TL to be the truck with everything right. Developed



over 5 years, the TL Series is a comprehensive range of vehicles designed to deal with the difficult priorities of the 1980s.

Priorities that will make the TL the essential choice in middleweight trucks.

Priority 1: Making your initial investment yield more. Statistics show that the long term costs of running a truck can be 10 times that of the initial investment. One major cost is maintenance – an expense the Bedford TL was designed to minimise. The cab tilts to 50° in under 30 seconds for faster overhauls while side valances offer quick access to the routine service items. And TL's strong, light frame means not only higher payloads, but less fuel spent hauling deadweight. Yet surprisingly, you don't have to pay a premium for engineering of this quality. The price of the TL is keenly competitive with the older trucks that other manufacturers offer.

Priority 2: A working environment that encourages higher productivity. The cab of the TL actually helps a driver to be more productive. For example, the seat position is fully adjustable to fit both big and small drivers. A vast window area offers superb, all-round vision while the high roof line gives the best headroom and upward vision in its class.

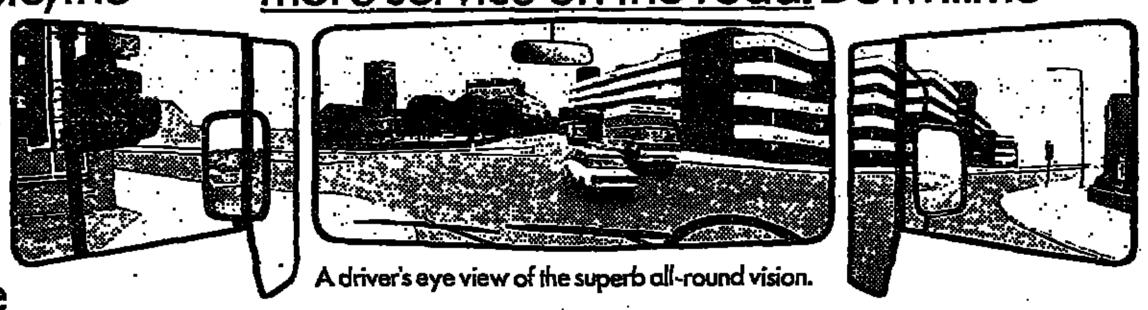
This and the generous shelf space behind the driver all contribute to the spacious feel of the cab. TL's finger-tip controls, "at-a-glance" instruments and extra storage space are the kinds of things a driver appreciates.

In addition, the anti-burst doors and universally jointed steering column are just some of the safety features that make the TL cab the kind of place a driver can feel more comfortable and secure.

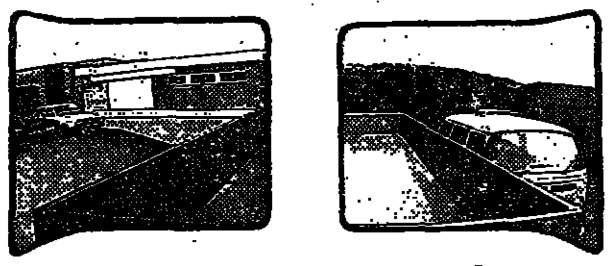
Priority 3: The exact truck to fit a specific need. The TL range is some 35 trucks strong. You'll never waste money operating a bigger truck than you actually need. With a choice of both petrol and diesel engines and GVWs up to 16·3 tonnes (GCWs up to 19·3 tonnes, GTWs up to 24·4 tonnes), the TL guarantees the perfect balance between power and economy.

Priority 4: Easy handling for faster turnaround times. TL's combination of outstanding handling and famous Bedford driveability makes getting from A to B an easier drive. Wide doors, a flat floor and the very low step into the cab allow quicker driver entry and exit. And the chassis height was deliberately designed to be as low as possible to make loading easier. They all add up to a truck that helps a driver do more work in less time.

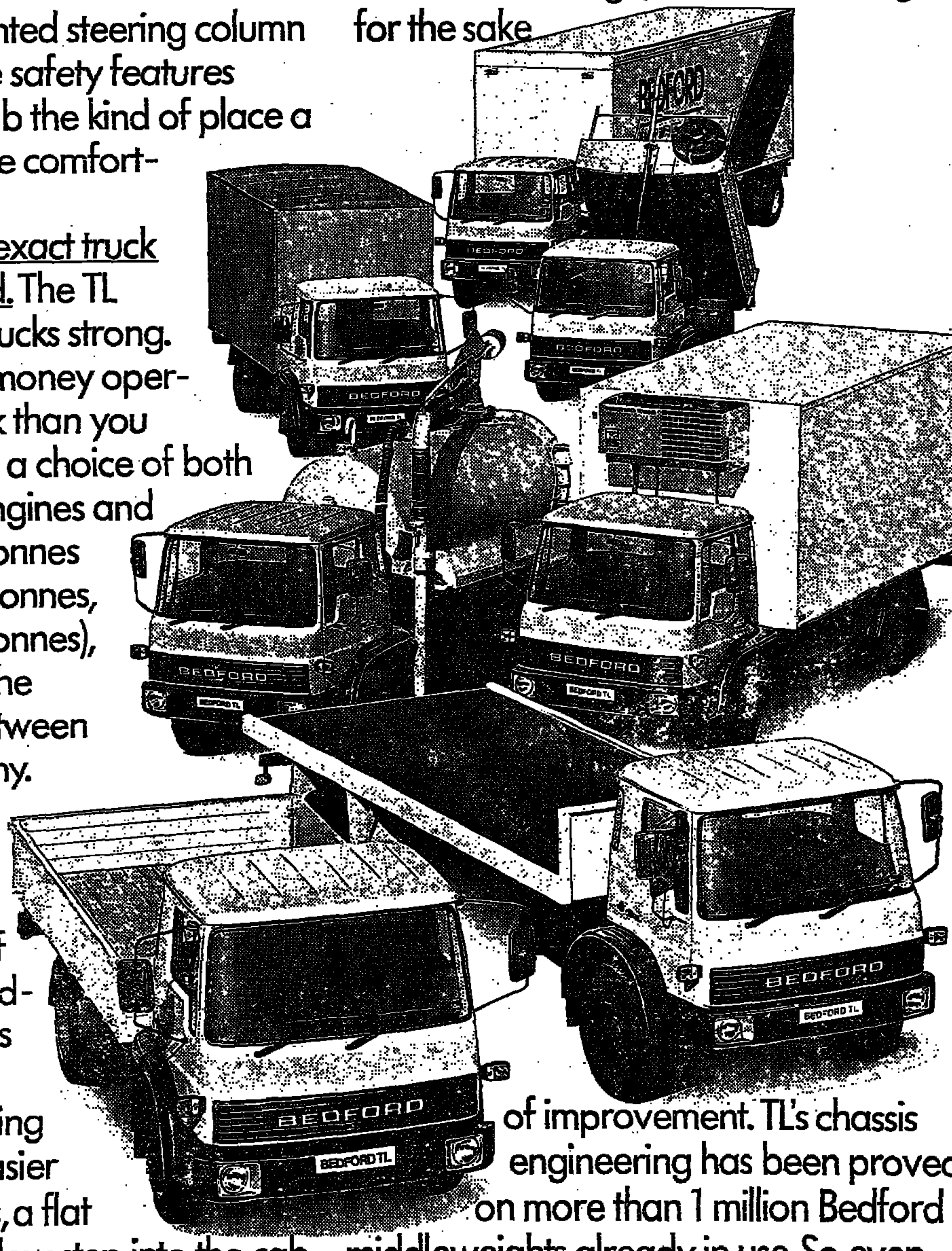
Priority 5: Less workshop service for more service on the road. Downtime



A driver's eye view of the superb all-round vision.



works against truck owners. So when we built the TL, our engineers made sure it would spend less time in the service workshop and more time on the road where it belongs. Bedford has put 50 years of truck building experience into the TL. Our design philosophy is not change for the sake of change, but rather change for the sake



of improvement. TL's chassis engineering has been proved on more than 1 million Bedford middleweights already in use. So even though it may be a new truck, you can be sure the TL is going to offer the high standard of reliability operators have come to expect from a Bedford.

THE NEW BEDFORD TL SERIES

BEDFORD GM

Building and Civil Engineering

£6½m management job for Laing

AN administrative complex for Gwynedd County Council is to be built close to Caernarfon Castle during the next three years under a £6.5m management contract awarded to Laing Management Contracting.

The contract includes construction of three office buildings and a multi-storey car park, plus the refurbishment of the existing Shirehall. Construction is to start this summer and as much as possible of the work will be awarded to local firms by competitive tendering.

To be known as Pencadlys Gwynedd, the headquarters complex will allow various County Council departments to be grouped centrally.

Another company in the Laing Group, John Laing Construction is to extend the Sergeants' Mess at the Royal Marine barracks at Stonehouse, Plymouth, under a contract worth almost £700,000 awarded by the Property Services Agency.

Laing has also just begun work on rainwater drainage and construction work for an extension to the Desford, Leicestershire, works of the Caterpillar Tractor Company.

The factory extension, which will provide additional space of more than 540,000 sq ft is being finished to structural steel frame stage by another contractor and under the terms of the Laing contract will be made watertight by the provision of extensive drainage and wall cladding.

£8m hangar contract

AN EXTENSION to the East Pen of Technical Block A at London Heathrow Airport is to be built by French Kier Construction for British Airways.

The contract, which is worth £8m, also includes alterations to the existing maintenance hangar and the construction of 5,607 square metres of hangar floor and plant rooms.

With concrete foundations and floor slabs the structure will have a 103 metres clear span steel frame 25 metres high. The contract is due for completion in July 1981.

Mowlem builds a weir

WORK HAS begun on the final major project, the £1.7m Riding Mill Weir contract on the River Tyne, in the Northumberland Water Authority's Kielder water scheme. John Mowlem has won the contract.

The work involves building an 80 metre wide reinforced concrete weir and gauging weir to control the river flow. This will ensure there is sufficient volume of water in the river to allow a proportion of the flow to be abstracted and transferred by pipeline and tunnel to the rivers Wear and Tees. The pumping station, being built by another contractor, is 200 yards above the weir.

Other work at the weir involves constructing a short machinery bridge, a fish pass, bank training walls to "guide" the river to the weir and laying an artificial bed downstream of it. Minor works include building a 150 metres long access road, constructing a gauge house, landscaping and tree planting.

Tenders for Warsaw project

MAJOR British construction companies have been invited to submit tenders for a British Embassy building in Warsaw.

The site for the building which is to include staff accommodation has already been agreed and tenders have to be in by September of this year with work on the project to start next April. It is hoped to complete the building in 2½ years.

Originally the project was to have been undertaken in 1978 but was shelved as an economy measure. At that time its value was in the region of £8m.

Companies in Saudi Arabia

EXPANDED FROM the original edition of 1978 so that it now contains over 1,400 companies who between them account for over 80 per cent of all construction related expenditure in Saudi Arabia is the second edition of the "Saudi Arabia—Construction Industry Directory."

The publisher believes this to be the most comprehensive data source available for the Saudi construction industry and offers it for U.S.$38 or equivalent (with order) inclusive of air mail postage from Eurocanadian Market Research, 801 York Mills Road, Suite 201, Don Mills, Toronto, Ontario M3B 1X7, Canada.

Monk's mixed projects

NUMBER OF contracts covering projects in Wales, Cheshire and Durham total over £4.4m for A. Monk and Co.

At Haverfordwest, Dyfed, the Welsh Water Authority has accepted a £1.6 tender for the construction of a new headquarters building with a reinforced concrete frame with brick cladding. Works include external and site development.

In Warrington, the company has won a £1.5m job for building a silica plant for Joseph Crosfield and Sons. This comprises a single storey steel framed structure with a three storey control building all on piled foundations. A tank farm and external works are part of the project.

In North Yales, Monk Pipeline Division will lay an 18-in diameter pipeline from Ruthin to St. Asaph under a £840,000 contract and at High Moorsley, Co. Durham, the Northumbrian Water Authority has accepted a £406,000 tender for constructing a covered reservoir.

Bringing a pipeline ashore

WORK associated with the landfalls of the British Gas 42-inch diameter pipeline to be constructed across the Firth of Forth is to be carried out by Land and Marine Engineering under a £1.5m sub-contract from Brown and Root, the main contractor.

Using land based winches, Land and Marine Engineering will pull ashore a 2.5km length of pipeline at the southern landfall and a 1.5km length at the northern landfall—the former calling for a 1,200 tonnes pulling force.

Pre-trenching of the shore approaches will be carried out using land and marine equipment. Hydraulic testing and dewatering of the 18km long pipeline crossing of the Firth of Forth will complete the work.

Mechanical handling plant

BATCHING AND conveying plant worth £1.5m has been supplied to BPB Industries for its glass fibre plant at Runcorn under a contract awarded to Fairclough Engineering.

The "Gypglas" batch plant has been designed and installed by Fairclough to store, weigh, blend and pneumatically convey mixed batch to the melting furnace. The totally enclosed building houses silos with a combined storage capacity sufficient for several weeks requirements.

£1m plant hire venture

A NEW venture in the plant hire industry is announced by PMC Hire a wholly-owned subsidiary of the Tydactol Group.

An optimistic view of the plant hire industry's prospects is taken by Mr. A. E. Harold, chairman of Tydactol, who says that PMC will concentrate its investment of about £1m on wheeloaders and hydraulic excavators to be made available on fairly long term hire to mining and quarrying companies.

His optimism is based on the belief that the best available equipment will attract new customers. Some of the machines will be wheeloaders manufactured by the West German company Carl Kaelble Gemeinde, for which Tydactol is the sole UK agent. PMC will also invest in 12 O and K excavators, including five RH4s, five RH6s, and two large-capacity RH9s.

The company's 20,000 sq ft London base is at 1,000 Newham Way, Canning Town, E6 (01-474 2250). A new centre is now being established in the Greater Manchester area.

Meets needs of the moment

A NOVEL building has been chosen by British Airways as a solution to two problems at London Heathrow Airport. Shelter-Span lightweight framed membrane-clad structures have been installed to serve as a transfer baggage hall at the arrivals area of Terminal 3, and as a carwash valet bay building at the motor transport complex being built on the North Perimeter Road.

The transfer baggage hall, 18 x 52.5 metres, was installed in four weeks and has come into use just in time for the summer rush of tourist traffic. The structural frame of this building is of extruded aluminium alloy beam to which is attached a single skin of pvc-coated polyester fabric which forms the roof cladding. Conventional steel sheeting clads the lower vertical wall and ten pairs of flexible rubber doors give access.

The structure is anchored to the concrete apron—formerly a runway—by means of chemical resin anchors. A five-year installed life is planned after which it will be replaced by a permanent structure of conventional materials.

The carwash valet bay building is 12 by 22.5 metres and will have a three-year installed life. Its single-skin, all-fabric covering is on a lightweight aluminium frame. Large doors, allow entry of vehicles as large as double-decker buses.

Shelter-Span, a relatively new company, which installed its first fabric-clad building for the Sports Council in early 1979 for use as a gymnastics training hall at the National Sports Centre, Lilleshall, Shropshire, has its headquarters at Maidenhead, Berkshire. (0628 29032.)

£3m awards to Myton

ALTERATIONS to two London office blocks are to be carried out by Myton, a member of the Taylor Woodrow Group. Value of the contracts is nearly £3m.

The larger of the two is worth over £1½m and awarded by PIP Securities, a wholly-owned subsidiary of Standard Securities, it is for renovation of the former National Library for the Blind in Great Smith Street, London SW1. The second, valued at £1.4m, is for alterations to an office block in Trafalgar Square for Canadian Pacific.

Work at Great Smith Street includes the demolition of the central third of the building and the reconstruction to the level of the two outer wings. The new central core will include service areas and lifts and a new lightwell. The complete block will be refurbished with full air conditioning. A floor area of some 40,000 sq ft will be available. Completion is expected early in 1981.

Architects are Elsom Pack Roberts Partnership, with quantity surveyors, Northcroft, Neighbour and Nicholson, and structural engineers, Hurst Pierce and Malcolm.

For the Trafalgar Square project, most of the existing building will be demolished, but the front and rear facades which are listed will be retained. When it has been reconstructed the building will provide 18,500 sq ft of office space. Completion is due towards the end of 1981.

The architects are A. P. T. Partnership, with consulting engineers, J. F. Farquharson and Partners, and quantity surveyors, Hanscomb Partnership.

Shell Composites merger

TO CONCENTRATE under one direction manufacture and marketing of products important in civil engineering, build- and the auto industry, Shell Composites has merged its production and marketing side with that of Colas UK to form Colas Products.

The latter is a subsidiary of Shell UK and is responsible for a great variety of established products which are based on bitumens and other petroleum products. It is a major group which has a turnover in the area of £40m annually if the road contracting companies are taken into account.

About 20 per cent by value of the group's production is exported, mainly to Europe, Africa and the Middle East. Indasco France, a subsidiary, also has substantial markets in other areas of Europe and the French-speaking countries of Africa.

Structural steelwork

THREE contracts for steelwork have been awarded to Graham Wood Structural. One, worth £114,000, is for a portal framed building being erected at Bracknell, Berks, for the Sun Life Assurance Society by JW Construction Co.

At Alton, Hants, Graham Wood is supplying units for a two storey building, including bins, two hoppers, walkways and two staircases, being built for BOCM Silcock by Channel Construction. Graham Wood's share of the contract is valued at about £100,000.

The third contract is for work for the British Airport Authority's new headquarters at Gatwick Airport. The company's contract covers the main office and kitchen area and is worth £56,000. Main contractor is Higgs and Hill Building.

Aids work under water

SIDEWAYS-SCANNING sonar equipment in which the tranducer "fish" can be towed at water depths up to 100 ft has been introduced by UDI Group, Woodside Road, Aberdeen AB2 8EF (0224 703551).

Considerable ease of handling and economy of operation is offered since the fish is made from aluminium and polyurethane and weighs only 30 lb in air (20 lb in water). The sonar emitter beam pattern is two deg horizontal by 60 deg vertical and the working frequency is 150 kHz.

The low weight of the fish makes it ideal for operation from economical small craft in rivers, estuaries, harbours, inland waterways and shallow coastal waters. No special handling equipment is needed and towing is by lightweight cable mounted on a hand-operated reel. Best towing speed is between two and four knots.

A UDI-designed and manufactured ship-board receiver is used and is compatible with most commercially available recorders.

£1.5m piling contracts

CONTRACTS, worth £1.5m, have been awarded to West's Piling and Construction Company, a member of the WGI Group.

The awards cover work at White City Industrial Park in West London, at the Riverside Industrial Estate, London Colney, at Shell UK Oil's complex at Stanlow, Ellesmere Port, at Botcherby, Carlisle, for Metal Box and for piling at Longannet, Kincardine and Cockenzie for the South of Scotland Electricity Board.

IN BRIEF

● Wysepower has been awarded a £60,000 contract by the Ralph M. Parsons Company for 50 mains distribution units to provide power on the site during construction of the new terminal at Mossmorran, Fife.

● Kilby and Gayford have been awarded a £½m contract for the restoration of 28 Bruton Street, W1 an 18th century property for British Petroleum Pension Trust Fund.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Novel heat exchange material produced

DEVELOPED by United Wire Group, a new wire mesh and plastics composite material for use as a heat transfer medium is to be offered for manufacture under licence.

The material consists of woven copper alloy or steel wire mesh enveloped in plastics in such a way that the metal and plastics material form an integral sheet. It can also be made in tube form. The composite is both light and strong and combines many of the most useful properties of metal and plastics.

United Wire says that in highly corrosive environments the mesh and plastics composite could offer an economical alternative to plastics or glass heat exchange elements. Because it conducts heat much better than these materials and is more robust a much smaller heating area is required, resulting in simpler fabrication and lower cost.

The use of mesh and plastics composite made with a non-scaling fluorocarbon plastic could eliminate the problem of scaling of heated surfaces in desalination plants and would allow a smaller and cheaper means of construction.

In conventional plate heat exchangers the material is said to offer anti-corrosion and non-scaling properties combined with a heat transfer performance similar to steel. A suitable mesh and plastics composite could ultimately replace steel as the material for domestic hot water radiators, it is suggested.

Further information about this material can be obtained from United Wire Group at Granton Park Avenue, Edinburgh EH5 1HT. 031-552 6241.

● INSTRUMENTS

The level of dissolved oxygen, vital to the aquatic life in any waterway, is here being directly measured using a new meter, the model 7130, from Kent Industrial Instruments of Chertsey, Surrey. Results appear on a liquid crystal display in parts per million or per cent saturation, and temperature is measured as well. Recorder outputs are provided.

● COMMUNICATIONS

Eases network problems

A NEW communications software package called XN11 has been developed jointly by Scicon Consultancy International and AERE Harwell.

The package enables IBM and Digital Equipment computers to communicate directly via an IBM channel so that an IBM mainframe using systems network architecture (SNA) can support a communications network conforming to non-IBM standards.

XN11 is a host interface package that provides a network gateway facility between IBM mainframes using SNA and any network architecture using non-SNA protocols configured on DEC equipment. It stimulates a sub-area of an SNA network such as would be created by set of terminal clusters connected through an IBM 370 communications controller.

The new software has been designed to follow the structure of SNA. Should any architectural change be made to any layer of SNA only the corresponding layer of XN11 will require changing.

More from the company at 49 Berners Street, London W1P 4AQ. (01-580 5599.)

Calls from anywhere

THE PUBLIC radiotelephone facilities offered by the Post Office in a number of major population centres in the UK, intended basically for motor-car users, can be extended to personal portable use with an attache case system put on the market by Radiophone Communications of Monument Hill, Weybridge, Surrey KT13 8RU (Weybridge 55152).

The equipment costs about £1,750 housed in an Italian leather case, or somewhat less in in an aluminium case. It is an adapted version of the Storno in-car equipment for which the company is a main agent. The transmitter/receiver has 55 channels so that when the user originates a call it can select the nearest and most powerful Post Office transmitter.

Use of the equipment is of course, dependent upon a Post Office radiophone being allocated. The licence fee is £80 per annum, to which has to be added the cost of the calls made. Built in are nickel cadmium batteries with a charger, and an internal aerial, so that the unit can be used in almost any situation.

Soon it is expected to introduce versions incorporating a speech scrambler for secuirty purposes, and others that will transmit digital data.

Steering the aerials

WITH DIRECT broadcasting from sky satellites of uncontrolled TV programmes a matter of three years or so away — domestic installations could operate from a 2½ ft dish—development of a micro-controlled steering system for the big 30 ft dishes at Goonhilly is a matter of considerable interest.

A prototype aerial controller for these dishes at the Post Office's Satellite Communications ground station is based on an idea from Cambridge consultants for modelling the track of a geostationary satellite which daily describes a figure of eight in the sky. The system learns the track of the satellite by smoothing raw tracking data over a period of hours.

Prediction of the track to an accuracy greater than 0.01 degrees of arc can be obtained for significant periods of time and the dish can be steered to the same accuracy. This prediction ability enables consistently accurate tracking to be achieved during periods of disturbed microwave propagation, particularly at low levels of elevation and considerably improves on conventional step-tracking techniques.

An additional advantage of the system is its avoidance of the need for an expensive microwave coupler and tracking receiver. By using the smoothing algorithm to estimate the satellite track from occasional position updates.

Cambridge Consultants, Science Park, Melton Road, Cambridge. 0223 58855.

● DATA PROCESSING

Eases payroll preparations

PAYROLL PROCESSING which produces payslips with English language descriptions and will handle up to 30 elements of gross pay, has been announced by Midlands Computing Centre, Birmingham-based member of the Geest Computer Services group.

Geestpay is believed to be the first to accept clock cards as the data preparation source, eliminating the need for extensive form-filling in the wages department. Only two further documents are required to deal with standard exceptions; a personal record card used to indicate changes in rates of pay or tax code, for example, and a holiday and absentee card.

Intended for companies with a payroll of between 150 and 3,000 employees, and particularly suitable for organisations in the service and engineering sectors, Geestpay has been designed to provide a simple means of controlling payroll production while reducing pressure on staff at peak periods such as tax year-ends, and ensuring continuity during holiday periods or sickness.

Its flexibility allows for rapid take-up of the service which will typically be between one and six weeks depending on service is tailored to the user's the nature of the payments system. To ensure that the serive is tailored to the user's precise requirements, implementation is monitored and supervised throughout by a qualified member of MCC's systems staff who will work alongside the customer's payroll staff until the service is fully operational.

An important advantage of the system is the printing of English language descriptions against each element of pay on the pay slip and on the payroll listing. This ensures that the employee can see clearly how the gross pay is arrived at, the precise reason for each deduction. This reduces to a minimum the queries for payroll staff to deal with.

Geestpay also produces a full coin and note analysis to ensure that wages staff have the correct denominations of currency in the relevant quantities to make up pay packets, and to minimise errors. This analysis can be selected on a departmental basis is required.

Further from White House Chambers, Spalding, Lincs PE11 2AL. 0775 61111.

Assists running of hotels

APPLICATIONS of electronic technology are not limited to the very big groups as recent announcements show.

A small organisation—Guestel—has successfully developed two hotel-oriented systems in the space of a few months. One will project pages of text on guest's TV sets and is very simply installed since all that has to be done is to make a connection to the main TV aerial network to distribute the messages from an ordinary typewriter keyboard. And a tiny processor holds in memory what is to be displayed.

The text can be updated or changed instantly—useful when marshalling dispersed tourist groups for a coach departure! Timing of the display is under operator control.

Guestel can provide a program that will display Arabic script when required.

This company has also developed a method of fitting pages of text into a video film as it is being shown. Text quality is good and the transition from video tape to text is smooth.

This is particularly useful in training work.

Guestel, Refuge House, 2, Henry Street, Bath. 0225 65379.

At the other end of the scale, Honeywell has been working with Swallow Hotels to computerise—in the latter's 32 centres — reservations, front desk and restaurant accounting, payroll and electronic mail facilities.

Honeywell Level 6 computers will go into hotels at Durham, Gateshead, Edinburgh, East Kilbride and Alfreton, all linked into a Level 64 at Sunderland. The small machines will also control terminals to be sited at other Swallow Hotels.

Reservations will be almost instantaneous, a printer producing the confirmation sheet while automatically recording the information in the appropriate hotel. Operational date is towards the end of this year.

Saving in time for users will be considerable, particularly for those "regulars" whose names are held in store.

Internally the electronic mail facility will virtually end interdepartmental memos, a security system making sure that confidentiality is observed by a coding access arrangement.

Swallow Hotels on 0783 76277. Honeywell on 01-568 9191.

Disc data storage drive

MEMOREX 201 describes an 8-inch, rigid disc data storage drive with a Winchester removable cartridge.

It is the first mini disc drive with removable storage in the industry, Memorex declares. Total capacity is 25 Megabytes; 12.5 Mb of fixed storage and an additional 12.5 Mb of removable disc storage. Used with the 201 drive the Memorex 2001 removable cartridge not only provides the drive with its own back-up, but allows the 201 to act as back-up for other devices.

The lightweigh cartridge also provides the user with a "write-protect" facility for protection of stored data. The specially designed cartridge interlock mechanism gives positive opening and closing for an environmentally sealed atmosphere, allowing for total air circulation and temperature stabilisation.

Compact front panel dimensions allow it to fit in a flexible disc drive cavity.

Access time is only 30 milliseconds. Error rates are also extremely low, seek errors being estimated at one per million reading operations.

Memorex International, 730 London Road, Hounslow, Middx. 01-572 7391.

Printers are more flexible

VERSIONS OF the Hewlett-Packard dot-matrix serial printers just brought out offer refinement in paper and forms handling, five new print pitches for greater flexibility, optional higher-density print matrices, and an interface for connection to non-HP systems.

The HP 2631B printer and HP 2635B printing terminal allow the page length (physical page size) and text length (printed area) to be set via program control. Now, the paper will automatically advance to the next top-of-form whenever a paper-motion command would cause the text to fall outside the programmed text area. Vertical format control, computed by an internal microprocessor, corresponds to the selected text length.

Additional flexibility is available through the use of programmable horizontal and vertical tabs and margins; these may be set at a current print position or, through absolute addressing, at any specified column or line.

308 King's Road, Reading, Berks., Reading 61022 for more details.

● ELECTRONICS

Tests of memory

RANDOM ACCESS, read only, bubble and core memory can all be tested with the M-7 equipment from Micro Control Company of Minneapolis, as can shift registers, input-output ports, controllers, microprocessors and memory boards.

For use in both production and development environments, the tester can perform functional and parametric tests of the devices and make use of an 8080A microcomputer to operate all the peripheral devices such as floppy disc, crt terminal and printers, as well as supervising the tests.

The system is operated from a keyboard/crt terminal using English language Basic commands—the user can thus program the unit to perform a variety of test sequences.

Available from BFI Electronics, 516 Walton Road, West Molesey, Surrey KT8 0QF (01-941 4066).

Quick look at aircraft wheels

SPECIALISED EDDY current probes and associated amplification units have been developed by Hocking Electronics for the examination of the bead seat and bolt areas of aircraft wheels.

The bead seat radius is of considerable importance in the wheel since it is a pressure retaining part of the wheel/tyre combination and any failure could lead either to tyre deflation or to a section of the flange separating from the wheel. Both are serious and potentially dangerous or costly, the latter possibly resulting in ingestion of material into the engines.

The other instrument allows wheel bolts to be examined simply and rapidly for cracks and is claimed to be superior to dye penetrant and magnetic particle inspection.

Hocking Electronics, Unit 7, 25, Lattimore Road, St. Albans, Herts., AL1 3XL. (0727 54240).

THE MANAGEMENT PAGE

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EDITED BY CHRISTOPHER LORENZ

The directors of Decorettes found City backing to buy their company from its parent. **Nicholas Leslie** reports on a growing trend

A transfer deal where persistence paid

"WHAT ON earth do you want *to do that for? Surely you should* be thinking about retirement?"

Such was the encouraging response John Polmear encountered from a banker when, two years ago, he began to look seriously at the possibility of buying the company of which he was chairman from its parent organisation.

The banker's reaction was not wholly incomprehensible. Polmear was 53, an age when more people start to think of retiring than of swapping financial and job security for a project that puts their savings and business reputation at risk.

But Polmear had hankered after independence on and off for years. Over the previous decade he had built up a top management team in whom he had the utmost confidence. This meant he had little hesitation in taking the plunge to buy out the company when the opportunity arose last year—particularly as the team of five were all prepared to join him in *putting up their own money* to buy a stake in the business.

The company in question is Decorettes Group, based in Lichfield, Staffordshire. It manufactures a wide range of transfers, from the traditional "waterslide" beloved by children to more sophisticated vinyl types used to decorate motor vehicles and a host of other products.

The Decorettes "buy-out" is one of an increasing number of deals being financed by Industrial and Commercial Finance Corporation in which small subsidiaries, often having little activity in common with other group companies, are spun off as independent units owned by their own management. (The financial background to this *trend is examined in the accompanying* article.)

Decorettes formed a very small and totally unrelated part of Newman-Tonks, a £34m turnover Birmingham group making hardware products for the engineering and building industries. It had been taken over by Newman-Tonks in 1976 as something of an experiment in diversification.

For ICFC, the small firms arm of Finance for Industry, the attractions of Decorettes are obvious. The company has a long record under the same management. And since first *being set up in the early 1950s* by a Canadian transfer manufacturer it has always operated, under three different owners, as a very autonomous unit. It has well-established links overseas. And it is profitable.

It has not always been so. In the 22 years he has been with Decorettes, Polmear has nurtured it from a very small, rather shaky operation incurring losses of £30,000 on a similar sized turnover to a healthy operation with sales of £2.5m and pre-tax profits of £156,000 (after extraordinary charges of £50,000), in 1979.

Along the way Decorettes took over another company—Eagle Transfers—which enlarged the production base and expanded its range, giving the group a foot in both the retail market, selling decorative transfers through shops, and the industrial sector, where the *customers* are companies and other organisations like the Post Office (the Royal Mail logos on P.O. vans are Eagle transfers).

All retail marketing activities are channelled through the subsidiary, Decorettes Marketing Services, which also handles other companies' products, such as self-assembly shelving units. Indeed, the major thrust by Polmear over the years has been on the marketing side. Product development work has tended to take a back seat, with new types of transfer being introduced via licensing agreements with foreign companies such as Meyerchord, in the U.S.

Polmear acknowledges that "not enough" development work has been done by Decorettes itself, a situation he plans to rectify in the next few years. Filling in such gaps is typical of the sort of decision over which the Decorettes directors feel they have greater freedom now that they control the company.

The initiative for the buy-out *originated from Polmear who* approached the Newman-Tonks chairman with the idea. Decorettes had been acquired by the Birmingham company with a view to it spearheading a drive into the Do-It-Yourself market. This would diversify Newman-Tonks *into a new area of business.*

However, for a variety of reasons the expansion did not materialise as originally envisaged and Decorettes' management found itself with less of a role than it had hoped for in product development. Within a short time also, Newman-Tonks's *priorities* were solidly re-aligned behind its existing *business areas in the light of* changing trading conditions.

It was agreed among the Decorettes directors that they should seek a way of financing a buy-out. For Polmear this was the second attempt to do so. He had contemplated the idea back in the *1960s, but it was not until 1976,* prior to the company being bought by Newman-Tonks, that he made a real effort to raise funds to buy the company from its then Canadian owners. His initiative fell short of complete success, however, although for a number of years he held a *10 per cent* stake.

Polmear feels there were a number of crucial factors in the eventual success of his buy-out. A major one was the quality of his management team. Each member had specific abilities in such areas as finance, administration, develop*ment*, production and marketing. Also, most had some big company experience, which meant they were familiar with control and planning concepts so often missing from small companies.

Lawyer

This is a significant point. At a time when there is so much concentration on the importance of small companies to the economy, it illustrates the constructive way that small companies can draw on the resources of big business.

Another key factor resulted from Polmear *reading an article* in the Birmingham Mail about a buy-out financed by the National Enterprise Board. He contacted the company to get some ideas on what approach he should take and received one "very important" piece of advice, which was to contact a good *commercial lawyer.*

Polmear is now a very strong advocate of commercial lawyers. "This is what I missed in my early days," he says. For he reckons that the Birmingham lawyer to whom the NEB-backed company introduced him proved vital in putting together *the type of presentation needed* when he sought finance from ICFC to buy Decorettes. He interpreted ICFC's reaction as being "99 per cent approval on first sight," subject to ratification by Newman-Tonks and being able to put together a package acceptable to all.

The financing proved to be rather complicated, as can often be the case if heavy tax liabilities are to be avoided. In this context the Decorettes case was further complicated by the fact that there were six people in the group of purchasers—which is rather more than usual.

Ultimately, the amount borrowed was around £500,000, part of it in equity to give ICFC a 25 per cent stake, and the balance in different types of loans. The Decorettes directors put up around £100,000 between them for their 75 per cent.

Control actually lies with Polmear and Ken Smith, the group's *finance director,* who joined the company from Turner and Newall. The remaining 25 per cent is owned by John Allen, the production director of the industrial division, Frank Ewins, the consumer sales director with Decorettes Marketing Services, *Roger Griffiths, the group* administration director, and *Howard Mumford, sales director* of the industrial division (Eagle Transfers).

With the buy-out, says Polmear, "we have got stability and we know where we are going. There is a big saving in top executive time because we no longer have to get involved in group business. While Ken and I were negotiating the deal, the other directors were able to get on with running the *business.*"

Inevitably, the question arises of exactly what drove the other five directors to join Polmear in buying their independence. Polmear's reasons are rather different from the others' in that it was partly a very long-standing ambition. But for all of them a key factor was their strong identification with what they already looked upon as *their company.*

The prospect of generating personal wealth by such a move was apparently of little significance, and even at the time of the buy-out all the complex tax problems had not been resolved. Since then, however, experts have spent considerable time in minimising the liabilities. As Ken Smith puts it: "There are ways of mitigating tax, but obviously we hope that legislation and bureaucracy will *improve. But we felt that it was* more important to protect our positions and those of the people working for the company."

Personal commitment by senior managers has become something of a philosophy for the future. The team's plans for *growth include acquisitions, and* they "would try and tie managers in as shareholders in an acquisition," says Smith. "We would always encourage the senior management of any company we acquired to keep a stake in their business."

One of the keenest observers *of Decorettes in future will* obviously be ICFC. Although it is reluctant to divulge too many details of the financing of this (or any other) deal, it is clear that the debt/equity gearing ratio is rather high. On the other hand, it may well be that the debt/income gearing ratio is *rather more modest and could* rapidly improve still further within the next two or three years.

ICFC is stepping in where many other financial institutions fear to tread. The success with which Decorettes and companies like it handle their independence will determine whether management buy-outs have a future or whether they will become just another passing fad.

Ken Smith, Howard Mumford, John Allen, John Polmear, Roger Griffiths and Frank Ewins, who between them put up £100,000 to buy 75 per cent of their company

Management buy-outs move into the limelight

THE Americans call it the "leveraged buy-out". The British generally call it the "management buy-out." Whichever expression is used, the meaning is the same—a company, very often the subsidiary of a large group, is bought "out" by its senior directors. Generally, they will have to put up only a small proportion of the purchase price. The rest they will borrow, thus creating a high gearing (or "leverage") ratio between equity and debt.

Management buy-outs, though not a new concept, are currently being regarded by both the industrial and financial communities with a new enthusiasm. In industry they are increasingly considered to be an ideal means of spinning-off peripheral and probably unrelated activities from a group of companies—*often one that diversified* a few years ago when it was fashionable to do so. Subsequently, however, such companies found that their diversification was unsuccessful because the activities bore no *relation to their mainstream* business.

Total control

Such buy-out deals give top management of the smaller subsidiaries the opportunity to take total control of the business and preserve continuity of trading and employment. This, it is felt, can help considerably to maintain morale at a higher level than if the subsidiary were merely sold to another corporate buyer.

For financial companies looking for investment opportunities, management buy-outs offer the chance of *funding* an already proven business with already proven management — far better security than backing a new or relatively new company.

Buy-outs are rather different from de-mergers, for which tax concessions are promised in Britain's forthcoming *Finance Bill.* De-mergers essentially involve the splitting of large groups, with shares in some subsidiaries being allocated to existing group shareholders. The tax proposals outlined in the April Budget seemed to refer only to de-mergers of this type, and it is not clear whether any further concessions relating specifically to buy-outs will eventually be included.

Because it is theoretically attractive to finance a buy-out, most banking organisations should be keen to get into the business. But while a handful of buy-outs have been funded by such institutions as the National Enterprise Board and Development Capital, it is only the Industrial and Commercial Finance Corporation which has moved into the market on any scale.

ICFC, the small firms financing arm of Finance for Industry (which is owned by the major clearing banks and the Bank of England), backed only five buy-outs three years ago. By last year, the number had risen to 20, and in 1980-81 it appears that the corporation may well be setting its sights on as many as 80 deals.

Not all management buy-outs involve the spinning-off from a large group of just one small subsidiary. Just as suitable might be the case of an owner of a private company wanting to retire and sell out to the management team he has built up. Equally, the senior management of a profitable subsidiary within a group that has gone bankrupt might wish to buy the business from the receiver.

It is because the circumstances surrounding each deal can vary considerably that *there appears to be no set* pattern to the financing of buy-outs.

The package will be influenced partly by the existing debt of the business in question. It will also depend on the historic profitability of the company. Then there are the tax liabilities of the selling company and the directors purchasing the business, both of which have to be mitigated *as far as possible.*

A major factor is the projected cash flow of the business. This is significant, because while cash flow projection has been a common measure of creditworthiness in the U.S. for many years, it is still relatively new in the UK. By far the most important element governing how much money a bank or other financial institution will put up has been the level of security available—in other words, have the purchasers sufficient assets against which a loan can be secured?

By its very nature a management buy-out means there is little tangible security available. The senior management buying the company—and this usually means two, or perhaps three, directors—will probably be mortgaging their own assets, which means houses, to raise their (minority) portion of the purchase price.

Cash flow

Company law precludes the directors from pledging any assets of the company they are buying as security for a loan. Nor can any shares be issued as security. So, while a business with a proven record and management may be less risky to fund than a *start-up,* this advantage is perhaps counter-balanced by the lack of tangible security for a loan. Hence the preoccupation with cash flow as the indicator of the company's ability to repay a loan.

Because financing organisations are increasingly con*centrating* on the future performance of a potential buy-out, few will disclose their gearing ratio limits. While there may be a 10 to 1 ratio between the contributions of the bank and the directors involved in buying a company—indicating a high overall *debt/equity* ratio—the debt/income ratio could be more favourable.

The extent of the potential for management buy-outs is almost impossible to discern. The flow has been fairly slow to date, but it seems that the number of inquiries reaching banks *is beginning to grow* apace. If the seeds of the idea are sown widely enough, it is quite possible that a floodgate could be opened.

Business courses

European Programme for Chief Executives and Directors — *the* changing role of the chief executive, Henley. July 16-18. Fee: £425. Details from The *Administrative Staff College,* Henley-on-Thames, Oxfordshire RG9 3AU.

Interviewing Skills, London. August 5-7. Details from The Industrial Society, Peter Runge House, 3, Carlton House Terrace, London SW1Y 5DG.

Managing Executive Stress, Brussels. August 28-29. Details from Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

LOMBARD

A tale of two countries

BY SAMUEL BRITTAN

IT IS unfashionable, especially among market economists, to praise American policy and criticise German policy; but here goes, nonetheless.

Would anyone who listened to the earlier Carter rhetoric, and had been in Washington two years ago, suppose that in an election year a Carter Administration would be giving pride of place to combating inflation, even in the midst of an unexpectedly severe recession? Whether the President has been genuinely converted to the view that full employment cannot be based on accelerating inflation, or simply believes that inflation is the more unpopular evil with voters, is not the point.

Of course, there are some months to go to the election. But so far Fed Reserve Chairman Paul Volcker has felt no presidential pressure to change course. There has however, been some criticism of the hypocrisy of the balanced budget provided for the fiscal year 1980-81. The charge is that the Budget will not be balanced because the recession will reduce revenues.

But the concept of a "constant employment balance" makes perfect sense. Professor Milton Friedman was himself one of its originators. The Carter Administration has not based its plan on some wishful definition of full employment, but on a jobless rate of 7.2 per cent, somewhat higher than when the Budget was formulated.

Of course, any economic commentator must share Friedman's dislike of the fudging of the issue, by pretending that a notionally balanced budget is an actually balanced one. Yet there is still all the difference in the world between a budget unbalanced by discretionary increases in spending and a deficit that simply reflects the automatic kickback from recession.

Distortion

The one criticism of the U.S. budget that is not presentational is that items have been transferred from this year's budget to next, to provide an illusion of balance. But I doubt if this distortion is so great as to cancel a genuine drift towards balance at constant employment rates in the U.S. It may be noted *en passant* that the fiscal overspending in the UK in this year has nothing to do with built-in anti-recession stabilising, but reflects the breach by local authorities of spending guidelines and must be put right.

The Germans, on the other hand, have been giving the world a bad lead by raising interest rates because of alarm about their current payment deficit — hardly something which should keep one awake at night. With oil-producing countries expected to earn a $120bn current surplus or more this year, other countries must be in current deficit as a matter of arithmetic.

It is a healthy sign for the world economy that, in contrast to the previous oil crisis, the lion's share of the inevitable deficit, outside the developing countries, is being incurred by three relatively strong countries: Germany, Japan and the U.S.

Competitive

The Germans have been wrongly criticised in the past for giving priority to price stability and refusing to stimulate their economies. An increase of interest rates, or tightening of credit conditions, for the sake of domestic price stability would no be open to objection. But a tightening-up for spurious balance of payments reasons is unneighbourly, especially if it is part of an attempt at competitive currency appreciation. This short cut to price stability, however attractive to a single country, is not open to the world as a whole; and an attempt to try would have disastrous results.

"Practical men" may ask "Why bother about the reasons given for monetary policy?" They might be inclined to add: "Say we are tightening up to control the money supply if that makes you happier."

But words do matter. The world is ruled by little else. If the current deficit is used as the main policy indicator, the Germans will tighten up by too much or too little. One can only says that the amount will be wrong. Still worse a balance of payments-orientated German policy will give other countries just the pretext for protection and trade wars for which they are looking. So far only a warning shot across the bows is necessary; but exchange rate and balance of payments obsessions are always dangerous, whatever direction they take.

How the married woman's rights prevailed

THE WEEK IN THE COURTS

BY JUSTINIAN

THERE MAY be justifiable public approval for the decision of the House of Lords last week that a wife, whose husband had registered himself at the Land Registry as the sole proprietor of the matrimonial home, had an interest in the home sufficient to defeat a mortgagee's claim for possession when the husband defaulted on his mortgage repayments.*

The social implications of strengthening the married woman's rights prevailed over the business inconvenience to banks and building socieities which will now have to examine the occupancy of a house on which a loan is being sought. But will Parliament be content to leave the position as it now stands?

The system of land registration, elaborately established in that great piece of property legislation in 1925 (once described by a legal historian as a "monkey puzzle") and painstakingly developed ever since to reduce progressively the conveyance of unregistered land, was designed to simplify and cheapen the process of conveying land. It replaced the complicated and voluminous title deeds of property by a single land certificate.

All that the purchaser has to do now is to consult the register. With one exception laid down in the Land Registration Act 1925, the purchaser takes the property free from any encumbrance that is not entered on the register. No longer is the purchaser required to make long and often elaborate inquiries to ensure that there are no claims of interests to the property.

The one exception is the list of "overriding interests" in section 70 of the Act. All registered land is stated to be deemed to be subject to such overriding interests as might be subsisting in reference to the land unless the contrary is expressed on the register.

One of the listed "overriding interests" is the right of every person "in actual occupation of the land." The primary question that the Law Lords had to answer was whether a wife is in "actual occupation" of her husband's house. If she is, then that is an interest that overrides any claim that a person (such as a mortgagee) may have to the property even though the register does not disclose that fact.

"Actual occupation" are ordinary words of plain English. Occupation means physical presence in the house, and the addition of the word "actual" merely emphasises that the occupation is physical and not just an entitlement in law to occupancy.

Since the premises were the matrimonial home occupied in fact by husband and wife, both of whom had an interest in the home, it would require some special legal doctrine to avoid concluding that both were in actual occupation. There had been some suggestion in the earlier cases that only one person at a time could be in occupation.

The trial judge, Mr. Justice (now Lord Justice) Templeman thought that when a mortgagor was in actual occupation of the matrimonial home it could not be said that his wife was in actual occupation. He thought that any other conclusion would lead to chaos in the process of conveyancing.

The mortgagee (the bank) argued that the wife's occupation was nothing but the shadow of the husband, a version of the old legal doctrine of the unity of husband and wife. That view was considered by the Law Lords to be heavily obsolete. For some years now the law had reflected the social reality that, far from a wife being in her husband's shadow, she had an independent and substantial legal status.

The law has given effect to the fact that many wives make a contribution to the financing of the matrimonial home, either by way of paying all or some of the capital outlay for the purchase of the house or by helping with the mortgage repayments through her own separate earnings or savings of the family's income.

Indeed, her occupancy almost always mirrors the nature of the occupancy by her husband. Only the legal fact that husbands do frequently take the conveyance in their sole names would lead the outsider to regard him as being in a different legal position than his wife.

The decision of the House of Lords was inevitable. Less importance was attached to the impact on conveyancing or banking practice than to social justice. The social implications of exposing wives to the threat of dispossession of their homes because of the unscrupulous actions of husbands and of the legal rights of mortgagees were too compelling to permit of any other conclusion.

There was no need to introduce any legal subtleties into the legislation. Since the mortgagee had made no inquiry of the wife before granting the husband a mortgage, its claim as to possession on default in the mortgage repayments was defeated by the wife's overriding interest.

The practical consequences of the decision is that the prospective lenders of money to home-owners will have to conduct more extensive inquiries before making any loans on the property.

The cost of such inquiries may ultimately fall on the home-owners in the form of increased interest rates. Building societies and other institutions which finance house purchases could of course readily protect themselves against extensive inquiries by insisting that wives join with their husbands in the purchase and mortgage of the property.

Indeed, the law itself might put the burden upon purchasers of the matrimonial home to take joint ownership, failure of which would then expose the non-purchasing occupant to dispossession at the hands of the mortgagee. Those who assert their rights in property ought to prevent those rights being put in jeopardy by the simple device of declaring their interests at the moment when they are seeking financial support for the purchase of their homes.

The alternative, less publicly palatable action, would be for building societies and banks to ask any occupants formally to forego their overriding interest, which would then be put on the land registry.

If wives do not invariably join with their husbands in joint ownership of the matrimonial home—or, alternatively give up the rights so hard-fought for in the courts—then they may find mortgage applications being turned down. Perhaps, after all, the necessity for financial support in house purchasing will force spouses into joint ownership without Parliament having to step in.

**Williams & Glyn's Bank Ltd. v. Boland and another,* Times Law Report, June 19, 1980.

* * *

No one denies that Parliamentary privilege is necessary to the proper functioning of Parliament. It is absolutely vital, to take one topical example, that MPs should be able to make corruption charges without risk of being sued for defamation. But the latest case of alleged corruption, revealed in the House of Commons last week by Mr. Jeff Rooker, once again calls into question the absoluteness of the privilege.

Both the second report of the joint committee of both Houses on the Publication of Proceedings in Parliament in 1970 and the report of the Faulk's Committee on Defamation in March 1975, affirmed the rule of absoluteness. It also acknowledged that no Parliamentary privilege should attach to the reptition outside Parliament of statements previously made in the course of Parliamentary proceedings.

Short of repetition outside Westminster, there is only the remedy within Parliament. It can investigate those cases where allegations made by Members proved to be ill-founded and may, if necessary, discipline the defaulting Member.

Paddy—a legend in his time

RACING

BY DOMINIC WIGAN

CHARACTERS of Paddy Prendergast's stature come few and far between. For many the death of this popular Irish trainer overshadowed last week's events at Royal Ascot.

Paddy Prendergast had such a tremendous zest for life and ability to take the rough with the smooth that it probably earned him more friends than anyone in either English or Irish racing during the past 30 years.

Although he never won the Derby, despite many attempts with well fancied runners, this was about the only major race in either the English or Irish calendar to elude him.

There is little doubt that Nikoli's Epsom presence last month was wishful thinking. For it was announced after the Irish 1,000 Guineas that the colt would miss the Derby as it was thought he would not act at Epsom. As it was, Nikoli started at prohibitive odds to give Prendergast the victory he was so deperate for.

The early Sixties were Paddy's heyday as a trainer. In 1963, he achieved the tremendous feat of topping the British trainers' table from Ireland. He repeated the feat in the following two years.

For many Prendergast is best remembered for his chain of successes with precocious two-year-olds. His last outstanding performer was Bold Lad whom Paddy described as the best juvenile he ever trained. Considering he was also responsible for Windy City, The Pie King, Paddy's Sister, Floribunda, Noblesse and Young Emperor that was no mean compliment.

In Meadow Court the genial Irishman trained one of the best post-war middle distance colts to have been beaten in the Derby. Meadow Court was defeated that year by Sea Bird II. However, Meadow Court landed the Irish Derby after running second to Sea Bird II before giving Piggott his first victory in the King George VI and Queen Elizabeth Stakes.

Few people had a greater affection for Paddy Prendergast than Bing Crosby and it was almost exactly 15 years years ago to the day that the American bought a one-third share in Meadow Court a week before that memorable Irish Derby triumph.

PONTEFRACT
2.45—Gay Nocturne*
3.45—Wadi Ali***
4.15—Rana Tibodi
4.45—Classic Athena**

TV/Radio

✣ Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 11.25 Cricket: Second Test—England v West Indies. 1.30 Over the Moon. 1.45 News. 1.55 Wimbledon Lawn Tennis Championships. 4.18 Regional News for England (except London). 4.20 Play School (as BBC2 11.00 am). 4.45 Space Sentinels. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Wimbledon Tennis.
7.20 The Dukes of Hazzard.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "The Killers" starring Lee Marvin, Angie Dickinson, John Cassavetes and Ronald Reagan.
11.00 The Editors.
11.40 Bellamy's Europe.
12.10 am Weather/Regional News.

All Regions as BBC1 except as follows:

BBC Cymru/Wales—1.30-1.45 pm Pila pala. 5.55 Wales Today. 6.20 Tom and Jerry cartoon. 6.30-6.50 Heddiw. 6.50 Join BBC1 (Wimbledon). 12.10 am News and Weather for Wales.

Scotland—1.25-1.20 pm The Scottish News. 5.55-6.20 Reporting Scotland. 12.10 am News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.10 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich): Look North (Leeds, Newcastle); Look North-west (Manchester); Midlands Today (Birmingham): Points West (Bristol); South Today (Southampton): Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
2.05 pm Cricket: Second Test/Wimbledon Tennis.
7.10 One Hundred Great Paintings.
7.20 Mid-Evening News including sub-titles.
7.30 Dance Month (profile of Rudolf Nureyev).
9.00 The Innes Book of Records.
9.25 Brass Tacks: Britain's links between sport and politics.
10.10 Wimbledon: Match of the Day.
11.00 Newsnight.
11.35 Cricket: Second Test highlights.

LONDON

9.30 am Schools Programmes. 10.20 Untamed Frontier. 10.43 Schools (continued). 12.00 Chorlton and the Wheelies. 12.10 pm Rainbow. 12.30 Doctor! 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Against the Wind. ✣2.30 pm Monday Matinee: "The Mudlark" starring Irene Dunne and Alec Guinness. 4.15 Clapperboard. 4.45 The Latchkey Children. 5.15 Money-go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 Can We Get On Now, Please?
8.30 World in Action.
9.00 The Sandbaggers.
10.00 News.
10.30 Police Story.
12.15 am Close: Personal choice with Rita Tushingham.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Houseparty ✣2.25 Monday Film Matinee: "Double Cross" starring Donald Houston and Fay Compton. 3.45 Money-Go-Round. 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. ✣11.00 Monday Late Film. "Town on Trial!" starring John Mills. 12.45 am Reflection.

ATV

1.20 pm ATV Newsdesk. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "The Games" starring Michael Crawford, Stanley Baker, Ryan O'Neal and Charles Aznavour. 5.15 Take My Wife. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 ATV Newsdesk. 11.05 Luke's Kingdom. 12.05 am Something Different.

BORDER

1.20 pm Border News. 2.00 Money-Go-Round. ✣2.30 Monday Matinee: "Easy Money" starring Greta Gynt and Dennis Price. 5.15 University Challenge. 6.00 Lookaround Monday. 6.15 Country Music Jamboree. 6.30 The Electric Theatre. 10.30 Monday Movietime: "The Chastity Belt" starring Tony Curtis and Monica Vitti. 12.10 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and weather. 2.00 Money-Go-Round 2.30 The Monday Matinee: "Campbell's Kingdom." 5.15 University Challenge. 6.00 Channel News. 6.10 Project UFO. 10.28 Channel Late News 10.35 Luke's Kingdom 11.35 The Entertainers (Frank Jennings Syndicate). 12.00 Police Surgeon 12.25 am News and weather in French

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Money-Go-Round. ✣2.30 Monday Matinee: "My Teenage Daughter" starring Anna Neagle and Sylvia Syms. 5.15 University Challenge 6.00 North Tonight and area weather forecast. 6.30 Royal Highland Show. 10.30 Reflections. 10.35 Twist in the Tale. 12.20 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round ✣2.30 Monday Matinee. James Robertson Justice in "Very Important Person" 5.15 Granada Reports. 6.00 Granada Reports. 6.30 This Is Your Right. 10.30 Reports Politics 11.00 The Late Film Louis Jourdan in "Ritual of Evil."

HTV

1.20 pm Report West Headlines 2.00 Take My Wife. 2.30 The Monday Matinee: "Trial Run" 5.15 pm Batman 6.00 Report West. 10.35 The Monday Film: "Island in the Sun" starring James Mason, Joan Fontaine, Joan Collins and Michael Rennie.

HTV Cymru/Wales—As HTV West/HTV General Service except. 10.05-10.20 am ABC. 12.00-12.10 pm Trehetiau 1.20 Penawdau Newyddion y Dydd. 1.25-1.30 Report Wales Headlines. 2.00-2.30 Hamdden 4.45-5.15 Sêr. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News and road and weather. 2.00 Money-Go-Round. ✣2.30 Monday Matinee: "Moment Of Danger" starring Trevord Howard, Dorothy Dandridge and Edmund Purdom. 5.15 The Electric Theatre Show. 6.00 Scotland Today 6.45 Crimedesk. 10.30 Sounds Gaelic. 11.00 Afloat. 11.30 Late Call. 11.35 Kaz.

SOUTHERN

1.20 pm Southern News 2.00 Houseparty. 2.25 "High Risk" starring Joseph Sirola. 3.45 Money-Go-Round 5.15 Take My Wife 6.00 Day by Day. 10.35 First Edition. 11.20 S.W.A.T

TYNE TEES

9.20 am The Good Word followed by North East News. 1.20 pm North East News and Lookaround. 2.00 Money-Go-Round. ✣2.30 Monday Matinee: "Easy Money" starring Greta Gynt and Dennis Price 5.15 Mork and Mindy. 6.00 North East News. 6.02 Play it Again. 6.25 Northern Life. 10.30 North East News 10.32 Northern Report. 11.00 The Monday Thriller: "Night of the Big Heat" starring Christopher Lee and Peter Cushing. 12.30 am It's Only Natural.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "The Games" starring Michael Crawford, Stanley Baker, Ryan O'Neal and Charles Aznavour. 4.13 Ulster News Headlines. 6.00 Ulster Television News. 6.15 Portrait of the Artist. 6.30 Happy Days. 10.29 Ulster Weather. 10.30 Me Da 11.00 The Odd Couple 11.30 Gardening Today. 12.00 Bedtime.

WESTWARD

1.20 pm Westward News Headlines 2.00 Money-Go-Round. 2.30 The Monday Matinee "Campbell's Kingdom" starring Dirk Bogarde and Stanley Baker. 4.12 Gus Honeybun's Birthdays. 5.15 University Challenge 6.00 Westward Diary. 10.32 Westward Late News. 10.36 Luke's Kingdom 11.36 The Entertainers (Frank Jennings Syndicate) 12.00 Police Surgeon. 12.25 am Faith for Life. 12.30 West Country weather and shipping forecast.

YORKSHIRE

1.20 pm Calendar News 2.00 Money-Go-Round. 2.30 Monday Matinee: "Stranger on the Run." 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Happy Days. 10.30 Calendar Carousel 11.00 Paris 12.00 George Hamilton IV.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis 9.00 Simon Bates 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Peter Powell. 7.00 Stayin' Alive 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 2.03 pm Ed Stewart's Request Show (S) 4.03 Much More Music (S). 6.03 John Dunn (S). 8.02 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S) 12.03 pm David Hamilton (S). 2.03 Wimbledon Tennis Championships. 7.00 John Dunn (S) (joins vhf). 8.02 Folk on 2 (S). 9.02 Humphrey Lyttelton with the Best of Jazz on records (S). 9.55 Sports Desk. 10.02 Pop Score 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S)

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Dmitri Shostakovich (S) 10.00 Music for Recorders and Piano (S). 10.30 Reading Phoenix Choir (S). 11.25 Cricket: Second Test: England v West Indies including 1.35 pm News. 1.40 Your Letters Answered. 2.00 Lunchtime scoreboard. 6.40 Rawsthorne on record. 7.00 "The Sleeping Beauty," ballet by Tchaikovsky (S), Prologue and Act 1. 8.10 Promenades (1). 8.30 "The Sleeping Beauty," Acts 2 and 3 (S). 10.15 Ivor Cutler and . . . 10.30 EBU Jazz Concert (S). 11.00 News. 11.05-11.15 Purcell (S).

VHF only—with Medium Wave except as follows: 6.00-7.00 am Open University 11.25 Cardiff Midday Prom Concert, part 1 (S) 12.15 pm Interval Reading. 12.20 Concert, part 2. 1.00 News. 1.05 Tunnell Clarinet Trio (S) 2.00 Matinee Musicale (S). 3.00 Music for Guitar (S). 3.25 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.20-7.00 Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today in Venice, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week on 4 8.45 Patrick Moore with the BBC Sound Archives. 9.00 News. 9.05 Start the Week 9.55 Refugee Appeal. 10.00 News. 10.02 Money Box. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 The Countryside in Midsummer. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1980 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S) 4.45 Short Story 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news 6.00 News. 6.30 Home Again (S) 7.00 News 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Play "Traveller Without Luggage" by Jean Anouilh (S) 9.15 Is There Life After 50? 9.30 Kaleidoscope 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (S) 11.00 A Book at Bedtime. 11.15 The Financial World Tonight 11.30 Today in Parliament 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen 7.03 Black Londoners 8.00 Question Time from the House of Commons 9.00-5.00 am Join Radio 2.

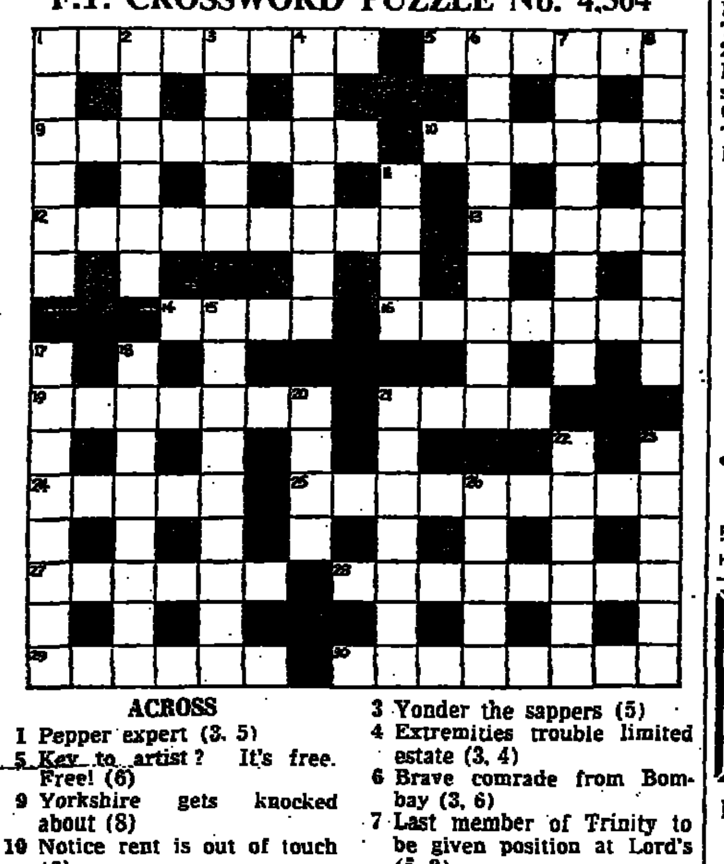
London Broadcasting

5.00 am AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes at the World Economic Summit in Venice. 12.00 LBC Reports. 8.00 pm After Eight Special—Brian Hayes on the World Economic Summit in Venice including an interview with Sir Geoffrey Howe 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 1.00 pm London Today First Report (S) 1.10 Mike Allen continued. 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Alan "Fluff" Freeman (S). 11.00 Tony Myatt's Late Show (S) 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,304



ACROSS

1 Pepper expert (3, 5)
5 Key to artist? It's free. Free! (6)
9 Yorkshire gets knocked about (8)
10 Notice rent is out of touch (6)
12 Free from blame for former unit speed (9)
13 Drain broken at lowest point (5)
14 Be backward in sin (4)
16 Stock from Manila's wrongly quoted (7)
19 Returned thanks got fed up and dressed (7)
21 Tendency to be corrupt (4)
24 Cultivate western interior material (5)
25 Eccentric letter (9)
27 Hairstyle from highbrow to lowbrow (6)
28 Possibly antique my dear (3, 5)
29 Bulbs eaten by cats (6)
30 Dost thou instruct while drinking leaves container? (3, 5)

DOWN

1 Drink for a man with a strange tongue (6)
2 Skinny pattern of continued beating (6)
3 Yonder the sappers (5)
4 Extremities trouble limited estate (3, 4)
6 Brave comrade from Bombay (3, 6)
7 Last member of Trinity to be given position at Lord's (5, 3)
8 Day one pay increase inspired lampoon (8)
11 Put your money on a letter from Greece (4)
15 Battlefield flare-up to which little weight can be attached (4, 5)
17 By some strange fate slut is showing perception (8)
18 Way jockey's job is stepping out (8)
20 Bob to avoid blow gets the bird (4)
21 Writing dotted about for those feeling their way (7)
22 Rank betrayal soldier may have up his sleeve (6)
23 Alarm French leader justified (6)
26 Room at the top of Athens (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

Elizabeth Hall

Milhaud and Gruber

With Friday's concert the London Sinfonietta performed typical acts of grace, extending London's always limited musical horizons on the highest level. Simon Rattle conducted, with two distinguished Viennese soloists, the violinist Ernst Kovacic and H. K. Gruber, the versatile composer-performer here appearing as baritone singer in his own *Frankenstein!!* The programme also included Gruber's Violin Concerto. The remaining works in a brilliantly conceived scheme were by Darius Milhaud. They came from the remote beginnings of a span of musical history of which Gruber and his Viennese cronies may eventually be seen to be part of an end in which, of course, there might be a beginning.

There were reasons for combining Milhaud and Gruber of which the least important was probably that some melodic tags from the former's *L'Homme et son désier désir* seem to have fallen into *Frankenstein!!* Gruber's association with the Viennese MOB & tone ART group will hardly escape some comparison with Milhaud's membership in Paris of The Six. Whether Gruber's affiliation and the roles of the poet H. C. Artmann (a mentor very roughly the equivalent of Cocteau) will turn out to have been so comparatively insignificant to Gruber's work as a whole as The Six and Cocteau now appear to Milhaud's cannot be seen at this stage.

The Gruber works were described by David Murray after their British premieres (Friday's performances were the London firsts). I had mixed feelings, looking forward more to another chance of hearing the violin concerto and the excellent Kovacic than to a repeat of *Frankenstein!!*, enjoying the way the elegiac concerto adumbrates one of the composer's songs in a way presumably intentionally reminiscent of the chorale in Berg's concerto while wondering, on first acquaintance, if there was enough sinewy contrast in the generally bitter-sweet mood.

Frankenstein!! was heard not in the full orchestral version, but in a more recent scoring for chamber ensemble. The text comes mostly from Artmann's *allerleirausch*, artfully (the style provokes puns) sick grown-up nursery rhymes translated by Harriet Watts. Quite rightly they were sung in English: I am not yet sure to what extent translation emphasises in the undoubted verbal skills an archness, wryness and macabre, knowing whimsy that I found toe-curlingly unfunny while aware that others were enjoying them. There is great skill certainly in the music—tonal, allusive, ingenious, put across by the composer-soloist like some dream conflation of Cathy Berberian, Ustinov and Flanders.

The dauntingly prolific Milhaud has been overshadowed recently by Poulenc. He richly deserves a similar rediscovery. *L'Homme et son désir*, an evocation of the Brazilian forest, devised as far back as 1917-18 by the young Milhaud, the poet-Ambassador Claudel, and the designer Andrey Parr, was a multi-level spectacle with five groups of musicians spatially arranged. This was not the only prophetic aspect of the score. In spite of the distance since travelled in this department, Milhaud's writing for unaccompanied percussion is still effective. One element was missing on Friday—the wordless vocal quartet, difficult to bring off because European vocal timbre does not sound altogether right yet the voices add something important (the programme revealed nothing about this alternative version). Details apart (in the *Creation* the saxophone was sometimes too powerful and the piano too soft, while in *L'Homme* some *pp* markings were blithely overlooked) the Milhaud performances were lucid and sensitive.

RONALD CRICHTON

Leonard Burt

Ben Kingsley as Mr. Squeers and David Threlfall as Smike in 'Nicholas Nickleby, Part 2'

Leonard Burt

Suzanne Bertish as Fanny Squeers, Roger Rees as Nicholas Nickleby and Julie Peasgood as Tilda Price in 'Nicholas Nickleby, Part 1'

Architecture

Future London

by COLIN AMERY

Today those noble members of the House of Lords are to do battle with the great green giant that is about to appear outside their stately windows. The controversial 500 ft. high building that has earned itself the rather winning name "green giant" is proposed by architects Abbot Howard for the south bank of the Thames beside Vauxhall Bridge. Mr. Michael Heseltine's planning inspectors are understood to have recommended that the huge slab should go ahead, although the minister has yet to declare his own views. As my colleague Michael Cassell wrote in his property market survey a short while ago, developers are poised to start work on several large sites all along the south bank of the Thames.

While their Lordships are debating the likely effect on the capital's skyline of the great tower at Vauxhall they would do well to consider the effect on London of the whole new wave of speculative development that is in the pipeline. Apart from the green giant there is the Coin Street development behind the National Theatre; at Hay's Wharf in Bermondsey developers are planning a large office complex including a 31-storey tower; and, despite Mr. Heseltine's decision to list the market buildings at Billingsgate, the City Corporation is still anxious for large-scale redevelopment.

Two other crucial sites are under consideration for large new buildings, the Jubilee Hall area of Covent Garden and the corner site of Ludgate Hill leading round towards the Old Bailey. East of the City the future of Spitalfields Market is in the balance and developers are hovering to extend the office block world further into the East End. The whole of the London Docks is now under the control of the new Urban Development Corporation which could transform the view to the east.

What advice can the House of Peers possibly give to the Secretary of State for the Environment as he struggles to balance all these competing pressures? They would do well to heed the recent statements published by the new Secretary of the Royal Fine Art Commission, Mr. Sherban Cantacuzino, on the two sites Jubilee Hall and the land of the green giant in Vauxhall. The Commission's view is that on both these sites the current proposals are simply too big. Seen in the context of the whole city their advice applies to all the development sites.

Their Lordships should end their debate with a clear statement on the future of London and they should not let the giant shadow on their own doorstep prevent them seeing the city as a whole. Perhaps they would be kind enough to advise Mr. Heseltine to list the Jubilee Hall in Covent Garden, to refuse permission for the monstrous green giant, to encourage a good mixture for homes and commerce on the Coin Street site designed by good architects, ensure that the river benefits from a smaller scale redevelopment at Hay's Wharf and that Billingsgate Market is converted into a leisure centre for City office workers to enjoy.

While they are at it they could ask to see the plans for Ludgate Hill to ensure that St. Paul's isn't further ruined by new buildings and see that Dockland *does* become the new Venice. Is it too much to ask that under the Conservatives London should be spared another rash of inhuman buildings?

Press award at Royal Academy

At the Royal Academy's Summer Exhibition, the Pimm's Press Award of £400, offered for the first time, has been awarded to Donald Hamilton Fraser for his oil painting *Landscape. May 1979*. More than 150 members of the Press voted for three works in order of merit. In second and third place were, respectively, Sydney Harpley for *Girl Running* and Andrew Ratcliffe for *Jennifer Fairclough*.

The Charles Wollaston Prize of £1,200 "for the most distinguished work in the exhibition has been won by Anthony Gross, for his oil painting *Les Causses*.

Aldwych

Nicholas Nickleby

by B. A. YOUNG

For its latest Wagnerian cycle, the Royal Shakespeare Company has gone to Dickens and come up with a two-part play lasting altogether nearly eight-and-a-half hours and containing 136 parts. It gives you two long evenings, or one long Saturday, of extreme pleasure; and as it is only scheduled to run about six weeks bookings for every civilised family should be made at once.

David Edgar's adaptation keeps amazingly near the original, even including some of the original prose lucubrations ("There is a dread disease which so prepares its victim, as it were, for death, which so refines it of its grosser aspect" and so on for 14 lines) to serve as connecting passages. This they do effectively as they are orchestrated between the voices; but I was not so convinced of the need to give characters little quotes in the third person to describe the expressions of their faces or their voices when they are actually showing them to us.

Perhaps they are sops to avid Dickensians, but if they are they are not necessary, for Dickens's tale and Dickens's people are there in faithful detail. Only once do we leave the Master when a performance by Vincent Crummles's company of *Romeo and Juliet*, with the many-talented Nicholas (Roger Rees) in the lead, is extended with a new happy ending—by Nahum Tate, perhaps? or John Barton?—and followed by a patriotic song in the manner of Charles Villiers Stanford sung by Mrs. Crummles.

I have no intention of recapitulating the plot, which everyone knows, or thinks he knows. The three most memorable episodes come in the first play. Nicholas, having failed to find a job with Sir Matthew Pupker, is taken on by Squeers and sets off for Yorkshire, where he has his brief career as a pedagogue and begins his ambiguous relationship with Smike when he has chastised the headmaster for his cruelty. Meanwhile his sister Kate (Susan Littler) goes to work for the Mantalinis (Thelma Whiteley and John McEnery, who addresses his wife somewhat unauthentically as "my little apfelstrudel") and becomes exposed to Sir Mulberry Hawk (Bob Peck) and Lord Frederick Verisopht (Nicholas Gecks). How the idiotic Mrs. Nickleby (Jane Downs) could have had such children, the Lord only knows.

Mrs. Nickleby exposes her still further after she has become companion to Mrs. Wititterly (Janet Dale); and by this time Nicholas and Smike are walking to Portsmouth and a theatrical career. The great "bespeak" performance for Miss Snevellicci (Suzanne Bertish) brings the first half to an end.

The second half is perhaps less interesting, as the second half of the book is, sorting out problems raised earlier and introducing an overdue love-interest for Nicholas. Dickens seems to have forced this in reluctantly at the end, being perhaps content to leave his hero with Smike (a sentiment echoed by the directors here, Trevor Nunn and John Caird, who at the final curtain have Nicholas pick up one of the runaway boys from the now dispersed Dotheboys Hall and carry him off to his new happy life, from which only Smike is missing).

Well, it gives us a pretty Madeline (Juliet Hammond-Hill), but although she has five other parts she has none of the chances of the less romantic ladies; Miss Bertish is also a ginger Fanny Squeers and Peg Sliderskew and a milliner, and Julie Peasgood has both Tilda Price and the Infant Phenomenon. Some of the boys in Squeer's academy are girls in breeches; but then some of the milliners at the Mantalinis are boys in drag.

Doubling, even sextuplicating, like this is rampant, and what looks always like a crowded stage is astonishingly peopled only with 44 players altogether. You will want to know who are in the main parts beside those I've mentioned. John Woodvine is Ralph Nickleby; Edward Petherbridge is Newman Noggs; Ben Kingsley is Squeers (among other people); David Threlfall a very crippled Smike; Bob Peck is John Browdie; Graham Crowden is Crummless; the Cheeryble brothers, grown-up Tweedledum and Tweedledees, are David Lloyd Meredith and Hubert Rees. If I had room I would tell you what is specially good about each of them; as it is I can tell you only that they are all good and all genuinely Dickensian, though Mr. Petherbridge's Noggs isn't quite so run-down as I see him.

The direction, by two directors and as assistant, is endlessly inventive, on a stage transformed from its usual aspect. A catwalk runs in a circle across the back of the stage and around the circle in the auditorium, and a *hanamichi* cuts across the middle of the stalls. Scenes are played downstage on the bare stage, or on trucks that are brought on obliquely from either side of the upstage area. Lots of old railings and things flank the walkways, to give an overall feeling of squalid 19th-century London.

The whole thing is a triumph, and if this is the kind of thing the company devises to save money (as they say it is), may they long remain in similar difficulties.

Royal Exchange, Manchester

Have You Anything to Declare?

This is a French farce by Hennequin and Veber of the school of Feydeau, who mentions it in *Un Fil à la patte* giving a short summary of the plot. This makes it worth seeing at least for students of French drama. The basis of the story is that the Vicomte de Trivelin, in a railway sleeper on his honeymoon with Paulette, née Dupont, is interrupted by the Customs at the Belgian frontier at the *moment critique*. This makes him impotent not only then but afterwards. A rival for Paulette's hand learns the story and sneaks up on him with the fatal query of the title whenever de Trivelin is trying to consummate his marriage.

Couzan, a friendly confidant, tells de Trivelin to go to a professional lady and get his sexual anxieties sorted out by an expert. Of course he chooses *the notorious Zézé who is also* the mistress of his rival and of his father-in-law (a judge), and the errant wife of an Algerian camel-breeder who is going through all the Duponts in Paris trying to find her.

No point in telling the story in detail. Act Two is at Zézé's apartment, where everyone arrives sooner or later according to Feydeau's formula, that if two people should not meet, they should be brought on stage together at once.

It's full of action, less full of invention; the embarrassing confrontations run very much according to pattern. Brian Cox shouts away as Trivelin, John Phillips registers appropriate embarrassment as the judge, *Madeline Smith* looks very seductive as Zézé, Dilys Hamlett is the picture of affronted respectability as Madame Dupont, and *Enn Reitel* is the tearful rival. The performance that pleased me best was by Noel Howlett as Couzan, smooth and unshakeable.

B. A. YOUNG

Palais des Congrès, Paris

Boulez's Notations

by DOMINIC GILL

Originally very short pieces for piano, taken up again after an interval of more than 30 years and "developed" for orchestra —less a question of orchestration than, as Berio would say, of transcription. What more to say, except that the character of each piece is defined, isolated, fixed in one unique mode of expression; and that the relation established between the pieces is essentially one of contrast.

With that characteristically terse programme-note, Pierre Boulez introduced the premiere of the first four of his new *Notations* for orchestra, commissioned and performed by the Orchestre de Paris under Daniel Barenboim last Wednesday.

It is the first orchestral work and, indeed, the only work of major importance that Boulez has written since *Rituel* ("In Memoriam Maderna") of 1974-1975. It is, also characteristically, another "work in progress," as yet unfinished: the new *Notations* are based on Boulez's very first completed composition, a set of 12 short unpublished piano pieces written while he was still a student in Messiaen's harmony class at the Conservatoire in 1945, and then forgotten, which turned up among the papers of a friend, Serge Nigg, three years ago. The four "transcriptions" so far completed make up together a satisfying 12-minute work of miniature "classical" proportions—four movements, including a slow movement and a sparkling finale. But that arrangement is accidental; and when all 12 finished *Notations* appear the eventual form will certainly seem, and sound, very different.

I wrote "also characteristically," for the genesis of nearly all of Boulez's major works has been one of obsessive restructuring, re-ordering, recasting; and many of them, as for example *Eclat/Multiples* of 1966, have grown over the years, piecemeal and "open-ended," elaborated fold upon fold, from much smaller first inspirations. *Eclat/Multiples* itself began life as the solo-piano *Don* in an early version of *Pli selon Pli*, and became *Eclat* before reaching its (still unfinished) present state. The *Livre pour quatour* of 1948 was withdrawn and reissued 20 years later as *Livre pour cordes* for string orchestra; and *Le Soleil des eaux* for voices and orchestra of the same year was reworked three times subsequently for different ensembles. *Doubles* of 1957-58 was expanded twice, to become different versions of *Figures-Doubles-Prismes* in 1963 and 1968. Most elaborate of all was the building of *Pli selon pli* (1957-62), which began as a pair of *Improvisations sur Mallarmé* for soprano and percussion in 1957, was enlarged to include another *Improvisation* in 1959, and by 1962, after several revisions and re-workings, emerged in its final form, framed by two further orchestral settings, a new *Don* and *Tombeau*.

And it is to the buoyant and open-ended elaborations of *Eclat/Multiples*—rather than the more austere and "finished" sound-world of *Rituel*—that Boulez returns in his *Notations*. Like *Eclat*, each piece is a kaleidoscope of conversations, collisions contradictions—brittle, skittish, poignant, and always surprising.

The scoring is for large symphony orchestra with seven percussionists and three harps: on the enormous stage of the Palais des Congrès a huge antiphonal sweep. The movement is busy; the sound-web rarely less than very dense. Yet there is nowhere an impression of overloading, overweighting: even at its most complex (one page of the fourth *Notation* divides into 89 separate staves) the texture is extraordinarily transparent, woven with the greatest delicacy. If it were nothing else, *Notations* would be a brilliant tour de force of orchestration which many young composers (and others not so young) should study with care.

But *Notations* is more than a virtuoso exercise in orchestral arrangement. The original piano pieces were rudimentary sketches, each at most a minute long; the new *Notations* follow their basic formal procedures closely — but they are "transcriptions" only in a transcendental Lisztian sense: many-layered and many-coloured transformations, split through a thousand prisms, of the original material. Most remarkable of all is the economy of working: every cell and gesture stripped to its essence, every line butted or dovetailed with microscopic precision. The result is a familiar paradox: an effect of great complexity achieved with the simplest and most economical means; a sound-canvas of the greatest virtuosity in which no single instrumental part is of unusual technical difficulty. In this respect, even the most conservative orchestral player will find his part eminently approachable; and the most unadventurous audience will find the sharp edge and the clarity of the writing quickly engaging.

The contrast that Boulez remarks is not only that between pieces, but within the pieces themselves. There are the obvious contrasts of timbre, dynamic and speed: and there are those less plain—of movement with stillness, regularity with irregularity, sound with silence; and there are too (as in *Eclat*) more abstract elements still, which juxtapose fiercely contrasting attitudes of mind, modes (and moods) of perception, ways of listening to sound itself. The first *Notation* is an essay in violent attacks, powerful surges, and slow, dying tones. The second, like a furious scherzo, proposes a broad dramatic canvas over a chugging Messiaenish ostinato that wholly belies its brief (two-and-a-half minute) duration. The third is the longest and most arresting: an elegy that winds its way through another, brushed-cymbal ostinato, swells to a brassy climax, and vanishes in a swirl of wind and strings, darkly mysterious. The finale bursts like a firework: an explosive dance of percussion and instruments that is surely the nearest Boulez has ever come in his music to Stravinsky's *Rite of Spring*.

The performance under Barenboim was admirably prepared, and (for an orchestral premiere) unusually exact. An exhilarating foretaste, and a tantalising prospect: yet another Boulez work that we shall come to know, like *Pli selon pli*, by instalments, each one setting the music in a different perspective, as it grows.

Mobil aid for archaeology

Mobil is a major international sponsor of the arts. In the U.S. it contributes to keeping Channel 13 on the air; in Italy it supports the Spoleto Festival; and in the UK it chooses to help a wide range of artistic ventures to help themselves.

For the Museum of London in the City it has paid for the design and production of a book "Archaeology of the City of London" which chonicles the latest developments in archaeology in the City. Not only does the book act as a record, but it also helps the finances of the Museum's Department of Urban Archaeology, for Mobil is presenting 5,000 copies which will be sold at £2.50 each, thus contributing to the resources of the Museum and enabling it to continue research into the City's past.

TENNIS BY JOHN BARRETT

A fascinating fortnight ahead

THERE IS a fascination about the 94th Championship meeting which begins at Wimbledon this afternoon, that transcends normal interest. For both Bjorn Borg, the 24-year-old Swede, who has won here for the past four years, and the former Czech left-hander Martina Navratilova (23) with two consecutive titles, can carve niches in the game's record books.

In Borg's case, the record would be unique, for no man has achieved five wins in a row since the challenge round was abolished in 1922. Before that, the holder stood aside to see who emerged from the all-comers tournament to challenge for his title.

Certainly fate has smiled upon Borg, who aims to amass as many records as skill and time permit. The draw has thrown the main big-serving challengers into the lower half of the draw with the No. 2 seed John McEnroe (U.S.), who must resist either his doubles partner, Peter Fleming, or India's Vijay Amritraj (who I expect to achieve one of the first seeding upsets against Argentina's Jose Luis Clerc, the 16th favourite). Then McEnroe will face the victor from the American quartet of Roscoe Tanner, last year's finalist, Pat Dupre, a semi-finalist last year, Victor Amaya, and the No. 3 seed Jimmy Connors, who is hell-bent on regaining the title he won in 1974.

Borg's opponent today, the Egyptian left-hander Ismal El Shafei, who is match-tight from success in the qualifying competition, eliminated him in 1974. The Swede, then 18, had just won the first of his five French Opens, and arrived unprepared for grass and emotionally drained.

The lack of opportunity to practice as much as usual last week, might further inhibit the champion's form, which, as everyone knows is vulnerable during the early rounds. Amritraj, Amaya, and the Australian Mark Edmondson have all been within a few points of victory during the past four years.

If Borg survives today and against Mexico's Raul Ramirez in the second round (another awkward hurdle), only Bill Scanlon, who pressed Connors to the limit last year, would seem to stand between him and the comparative safety of the second week. There Gene Mayer, and fellow American Vitas Gerulaitis, against whom Borg holds an 18—0 record, are forecast as likely opponents. Both are well within his compass.

Only two men besides El Shafei have beaten Borg at Wimbledon, where he has won 28 successive singles, and needs only to reach the quarters this time to beat Rod Laver's record of 31. In 1973, the boycott year, Roger Taylor won a quarter-final 7—5 in the fifth set, and in 1975 Ashe won their quarter-final.

A third successive win for Miss Navratilova would equal the trebles of three great Americans — Louise Brough (1948-1950), Maureen Connolly (1952-1954) and Billie-Jean King (1966-1968). She still has some way to go, though, to create all-time records. Miss Brough's four titles overall must be equalled, and ahead lie six of Mrs. King and the eight of Helen Wills Moody.

At a time when the women's game overall lacks quality in depth, and when several former champions are past their best (one thinks of Virginia Wade, Evonne Cawley, Mrs. Chris Lloyd and Mrs. King), the former Czech who now plays under the American banner would seem to have a reasonably straightforward task in her half of the draw. However, she is burdened by personal problems at present, which seem to have affected her game and last week at Eastbourne, she looked anything but confident in losing to the Dutch doubles expert Betty Stove.

The lack of match play might affect her this time, though she should survive to a quarter-final against Mrs. King, who would dearly love to add a 21st Wimbledon title to her record.

However, I believe that the Navratilova era might already be over. Despite a decisive win against Tracy Austin, the second seeded American, in the Colgate Series final last January, Miss Austin beat her decisively in the Avon championships in the spring.

Judging by the way the American coped with the wind and her opponents last week at Eastbourne, I believe she may win her first Wimbledon title.

Malaise in British tennis, Page 13

CRICKET BY TREVOR BAILEY

England need grit and luck

ENGLAND still need more than 200 runs to prevent an innings defeat and with two days remaining, must show determination and not a little luck to force a draw in the second Test.

So far in this match, they have been comprehensively outclassed by the West Indies with bat and ball and in the field.

On the most benign of pitches, the English batsmen, with the notable exception of Gooch, crumpled before the pace of Holding and the accuracy, plus awkwardness, of Garner.

Inevitably their bowlers, weakened by the absence of Hendrick, and not having faced top-class batting on an easy wicket for several years, came in for some rough treatment.

The English field also suffered by comparison with the mobility of their opponents, even though Knott was outstanding behind the stumps, and the effortless way in which Tavaré accepts slip catches suggests he could be the most accomplished slip on either side.

Assuming that the weather does not come to the rescue of Botham's besieged team, much is likely to depend upon our opening pair, Geoff Boycott and Graham Gooch, who withstood the initial barrage on Saturday evening with commendable assurance.

Geoff possesses a superbly organised defensive technique, and for more than a decade has been a rarity among Englishmen, a true international batsman.

On the evidence of his form this summer, in Australia last winter and throughout his outstanding knock in the first innings, Graham has now joined this regrettably small elite band.

He is a naturally aggressive player who demonstrated that it was possible to score runs against the opposition's formidable pace quartet with firmly struck strokes in front, as well as behind, the wicket, and, like all bowlers, the West Indies are not so dangerous when they are being hit.

Nothing was more impressive or heartening than the way he hooked Roberts and Holding along the ground to the boundary in the final session.

Unfortunately, there remains something of a question mark about the rest of the batting. Tavare looks to be sound with the ability, as yet, to dominate an international attack.

Gatting is a promising newcomer making only his first appearance at this level in this country; Willey appears to have time against speed, but at No. 7 his opportunities have been restricted; and Knott has been out of form with the bat.

Although Woolmer has experience and patience, he has been out of Test cricket for some time, but is due for a big innings, while the irrepressible Botham is capable of scoring heavily against any attack.

Faced with a large deficit as a result of their first innings failure, England must avoid the danger of concentrating entirely on survival.

To go 2—0 down at this stage would make the chances of squaring, let alone winning, the series remote. A second defeat could also lead to panic changes which are unlikely to achieve anything except further setbacks.

Nevertheless, there must be doubts as to whether our selectors are fielding the most efficient team available.

There were times on Friday and Saturday when the English attack not only lacked penetration, which on that pitch was understandable, but was also wayward in line.

It was just as well that Richards, having conjured up an innings of genius, played an unnecessary stroke, or England would have been confronted by an even more formidable task.

He is extremely hard to bowl at when in the mood, as Underwood and Botham found to their cost. The former did regain something like his accustomed accuracy with two impressive spells on Saturday, but although Botham picked up three valuable wickets, he should not be conceding four runs an over for 37 overs when for long periods he was employing defensive fields.

Lord's has already been fortunate to witness three individual innings of rare quality, from Gooch on Thursday, Richards on Friday, and Haynes on both days.

The young Barbadian, making his first visit to this country, proved the ideal sheet anchor with a massive, and chanceless, 184. He displayed surprising maturity and a concentration which even Boycott could hardly have bettered.

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Ferranti—not a special case

FERRANTI'S REHABILITATION from lame duck to glamour stock during its four years under the wing of the National Enterprise Board has created a dilemma for the Government. Unlike many of the industrial decisions over which the Industry Secretary has been agonising, the issues here are financial, rather than political in character.

There is little controversy in this case about the principle of disengaging a healthy company from the Government. Having earned itself, and the cause of State intervention generally, a good deal of credit by nursing Ferranti back to health from near bankruptcy in 1975, the NEB is now happy to dispose of its 50 per cent holding.

How to do it

The problem now is not whether to sell Ferranti, but how to do so without violating other important principles of the Government's financial and industrial policy. The decision will have to be made shortly after Ferranti's preliminary profits announcement is made on Tuesday. It could have a significant impact on the structure of the electronics industry in Britain.

The difficulty is that Ferranti is known to be high on the list of take-over targets for some of Britain's most powerful and acquisitive companies. GEC in particular, has made no secret of its belief that Ferranti would fit well into its electronics empire. Other large engineering companies have also been rumoured as possible contenders, although foreign bidders have now been excluded by the Government, partly for national security reasons.

A take-over of Ferranti could raise the threat of redundancies, and could also reduce competition in this and other rapidly growing parts of the electronics business.

Thus, if the NEB follows the Government's general direction to dispose of its shareholding to the highest bidder, it could well be responsible for the elimination of a successful independent company of exactly the kind which the Government's policies are intended to foster.

If, on the other hand, the NEB sought to place its shares in the stock market, there would be a strong probability that a bidder would then acquire these shares, paying a premium which could otherwise have gone to the Government.

Either outcome would be embarrassing to a Government which wants to decentralise economic decision-making, but also believes in the superiority of market forces over administrative judgment. The whole dilemma is particularly ironic, in that it arises within days of the introduction of new legislation aimed at facilitating the break-up of large conglomerates into smaller independent companies.

The new laws on "de-merging" are partly a response to pressure for GEC, which has expressed interest in spinning off several of its subsidiaries. Thus, if the new laws prove to be workable and if GEC is to be taken at its word, then fears about its sheer size and financial might, which have been expressed, particularly in trade union circles, could subside over the coming years.

In the meantime, however, the Government may find it hard to ignore these misgivings. An ideal solution from its point of view would be to persuade long-term investors in the stock market to pay almost as much for Ferranti as might be offered by an industrial bidder.

A small margin would be worth foregoing in order to give Ferranti a chance of independent survival — especially since a bid might well be subject to the long delay of a reference to the Monopolies Commission. The Government wants a good price, but it also wants its money now.

Practical advantage

The issue is really one of practical advantage, and not of principle. If GEC or some other company wants to bid well over the stock market's valuation to secure control of Ferranti, there is nothing the Government can do to prevent it in the long run. A disposal by the NEB is not the occasion for making exceptions to the general rules covering changes of ownership. This means equally that the sale should not be subject to special restrictions or special immunities—including reference to the Monopolies Commission. Ultimately, it is for the Monopolies Commission, not the NEB, to protect competition in Britain.

Comecon faces the facts

COMECON Prime Ministers meeting in Prague last week for their annual economic summit looked ahead with considerable apprehension to the problems facing them. True, the Soviet Union agreed to supply a further 400m tons of oil over the next five-year plan period. But it means that the nine non-Soviet members of the grouping will actually have their supplies frozen at or around the level of deliveries reached this year. At the same time, the Soviet planning chief, Mr. Nikolai Baibakov, warned of possible shortages in other vital raw material supplies.

This not only reflects the difficulties faced by the Soviet Union as it moves to develop increasingly distant and expensive natural resources. It also mirrors growing Soviet unwillingness to act as milch-cow for its Comecon partners, particularly those in Eastern Europe that enjoy a higher standard of living than the Soviet Union itself.

Until recently, the Communist countries tended to blame "the crisis of capitalism" and increased protectionism in Western markets for many of their difficulties. At Prague, however, the speeches reflected a much greater degree of honesty about their own shortcomings. This is a welcome sign.

Open markets

It is not longer good enough for the Soviet Union, for example, to compare its economic progress with the output of the war and revolution-ravaged Russia of 1917. There were horses and carts on Wall Street in 1917. The fact is that the Communist economic, social and political system has been a lot less successful than the mixed economies in harnessing the enormous potential for economic growth and higher living standards opened up by the scientific and technological revolution.

Far from being sabotaged by the capitalist world, the Communist countries, over the last decade in particular, have benefited substantially from the West's willingness to supply high technology goods and capital and open their markets to goods from the Comecon area.

Part of the reason for the Communist world's relatively poor economic performance, in spite of the fact that the Soviet Union is one of the richest countries in the world in resource terms, is its high military expenditure. This has syphoned off a disproportionate amount of both skilled labour and expensive resources.

Refreshing

The burden of unproductive spending is fast becoming unsustainable. The men in charge of the Comecon economies are now having to face up to a world of scarce natural resources. Their economies are plagued by inflation, and low productivity, the result of poor incentives. Now they are unable to guarantee even the slowly rising real incomes which have ensured a degree of acquiescence until now. Future growth will have to take account of incentives. The production of carrots may require the use of the stick. The need for higher productivity and greater efficiency means, as Hungarian party chief Janos Kadar warned recently, an end to the easy belief that under socialism wages and salaries are a sort of prize for mere attendance at work. It also means that prices have to be related to costs and to the situation in the real world — not just the notional calculation of a distant planner.

All these problems are now being discussed with a refreshing degree of honesty within Comecon. But no one should under-estimate the strength of resistance to change or the entrenched power of the party and bureaucrats who stand in its path.

Neither can the West be expected to ignore Soviet actions, typified by the invasion of Afghanistan, which imply that East-West economic co-operation merely strengthens the military might of the Soviet Union and its allies. This message appears to have got through to some of the more enlightened East European leaders who apparently criticised Moscow behind closed doors at the Warsaw Pact anniversary meeting in Warsaw last month. It remains to be seen when it will get through to the Kremlin, or at least to the new generation of leaders waiting somewhere in the wings.

Why fares are so high on London Transport

BY ANATOLE KALETSKY

THE ACCUSATIONS of mismanagement at London Transport which emerged in the PA Management Consultants' report, issued last week, struck a resonant chord in most Londoners. Having seen their transport system decline steadily over the past 15 years, Londoners are now confronted with a service that is slow, unpleasant, unreliable and, worst of all, unnecessarily expensive. Even three months after the latest fare increases, it is still common to be held up in underground ticket queues by passengers who stare in blank disbelief when told the fares to their destinations. At 9.5p a mile, tube fares are about 30 per cent higher than the equivalent cost of petrol—and a further increase of 25 to 39 per cent will be required over the next 12 months for the London Transport Executive (LTE) to meet its budget.

Foreigners are amazed to find that London's underground fares are typically more than double those in their own countries, while the level of service, formerly the envy of the world, is inferior. For while London has neglected its transport system, other cities have been building up their public transport. London's buses now operate 15 per cent fewer miles than they did in 1972, while tube car miles have fallen by 10 per cent. Of 14 countries which provided information for a recent study published by Britain's Transport and Road Research Laboratory*, Britain and Greece were the only ones to record a reduction in vehicle-kilometres operated by urban public transport.

Politicians in the UK think public transport should pay its way

It is not surprising that Londoners should be seeking scapegoats. Yet look at London Transport's problems, in the context of other countries' experience, suggests that what is unique about London is not the incompetence of its management, or the intractability of its problems, but the political and financial framework in which management is expected to implement what are, in effect, the decisions of politicians at the Greater London Council.

The most striking contrast between London's transport system and those of other major cities, particularly Paris and New York (which are most closely comparable in scale), is that London Transport is far less lavishly subsidised. Grants and compensation for providing free bus travel for pensioners covered 26 per cent. of LTE's current expenditure in 1979. This compared with subsidies of 47 per cent in New York and 59 per cent. in Paris.

The political decision to restrain subsidies is the most important factor in explaining London's apparently stratospheric fare levels.

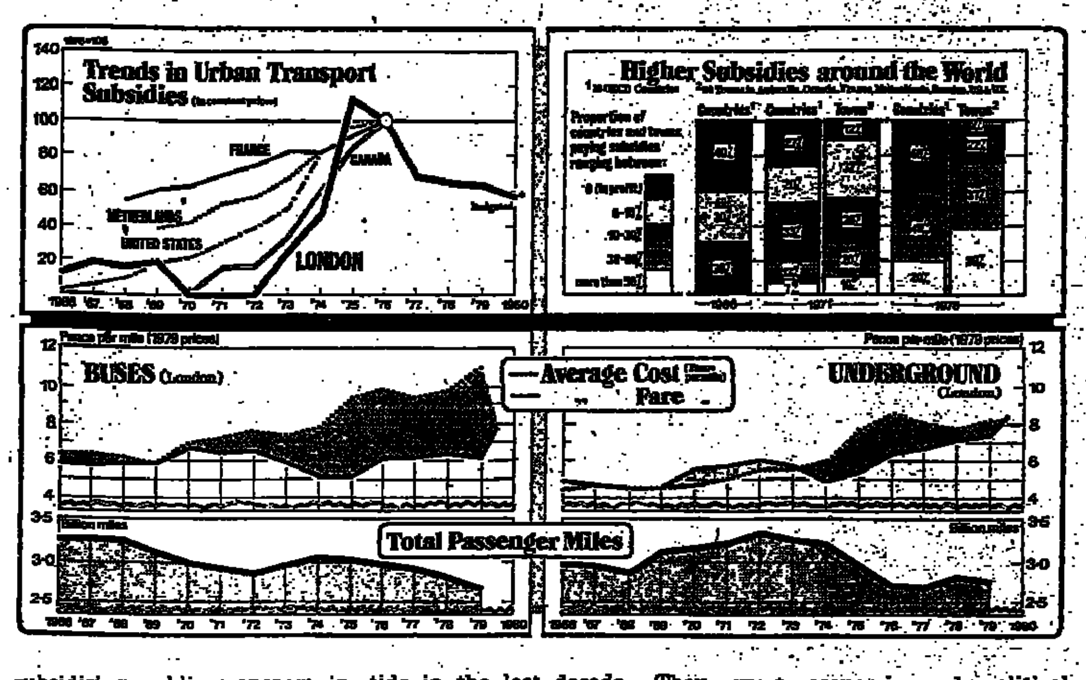
The British reluctance to subsidise is not confined to London, or even the Conservative Party. Under the Labour Government, in 1975, the average level of urban transport subsidies in Britain was 29 per cent (though London Transport was receiving about 40 per cent from the Labour GLC). In a study of 16 OECD countries in 1975, only Finland, Greece, Ireland and Spain were less generous to their transport systems.

Of course, the fact that many foreign governments and municipalities are more genorous with their taxpayers' money does not prove that it is either necessary or desirable for London to emulate them. Yet though most British politicians unfortunately lean towards the belief that subsidies may be a necessary evil, but public transport ought to "pay its way," there are two good economic reasons why they may be wrong.

First, it is not only the passengers who benefit from public transport. Motorists (who suffer less congestion); employers and shopkeepers (who can operate in city centres while their employees and customers live in the suburbs) and property owners (whose houses become more valuable if they are close to convenient and cheap public transport) are also beneficiaries. When passengers have to pay the full cost of transport each time they travel, the level of utilisation is lower than would be economically desirable if the gains to all these "external" beneficiaries could be reflected in fares.

Second, the nature of public transport is such that a very high proportion of its costs are fixed, independently of how many people use it. The additional cost of catering for an extra passenger, particularly during the off-peak period, is minimal. It makes economic sense for the public transport system to be financed in such a way that marginal passengers, who would be deterred by high fares, are encouraged to use it, while other passengers continue to pay as much, perhaps through taxes, as they would otherwise have done.

In Britain even the Labour Party has tended to regard public transport primarily as a social service for the benefit of people without cars. Transport subsidies have been justified mainly by the need to prevent closures. Little importance has been attached to ideas about subsidising public transport in order to make it more competitive against the car, in terms of price, comfort and convenience. That attitude may now have to change.



Until the late 1960s most public transport systems managed to survive on subsidies that would look negligible by today's standards. As the charts show, the growth in both the real value of subsidies and the proportion of costs covered by governments has been a world-wide phenomenon which gathered momentum only in the second half of the 1960s. London stood out against the trend longer than most cities. Until 1972 London Transport frequently made small operating profits before interest charges (which, along with capital expenditure, have long been financed by government). In a still earlier golden age, even the Paris Metro and the New York subway were profitable: it is worth remembering that most of the world's great transport systems were built by private entrepreneurs, not out of beneficence, but for profit.

London stood outside the subsidies trend longer than most cities

The forces undermining the commercial viability of public transport in so many countries have built-up to an irresistible tide in the last decade. They divide into four inter-related streams. Most fundamental has been the growth of car ownership. As the TRRL report points out: "The private car made serious inroads into the market for public transport, particularly in those countries where mass transportation had flourished most because of suburbanisation." In much of America, public transport had been largely eliminated by the mid-1960s. In Europe, however, the car ownership boom occurred much later and was closely related to the second factor acting against public transport: the surge in real incomes during the 1960s and early 1970s.

Real income growth led to greater use of cars, taking passengers away from public transport. But, as congestion and pollution grew, more drivers became conscious of the desirability of getting others to go by public transport. At the same time, a greater value was put on the "environment" and subsidies to encourage the use of public transport began to look more cost-effective.

This brings out the irony of viewing public transport primarily as a social service for those who cannot afford cars. In terms of economic efficiency, a rich society with universal car ownership gains more from using subsidies to divert marginal passengers to public transport, than a poor society in which almost everybody has no choice but to use public transport, even if fares reflect the full costs.

The third factor that encouraged even more subsidisation was, of course, the oil crisis of 1973. Particularly in countries such as the U.S. and Canada where governments were not prepared to raise the price of petrol in order to reflect the political costs of dependence on imported oil, conserving energy by helping public transport became a popular cause.

So far it may appear that there is little that managements or governments could have done to restrain the growth of subsidies: loss-making managements have been the victims of great economic and political movements totally outside their control; governments which have increased subsidies have been acting in the best interests of their electorates, and in accordance with textbook principles of economic efficiency.

There has, however, been a more immediate, and more questionable, reason for subsidisation. Many governments in the mid-1970s took subsidies far beyond the requirements of economic efficiency to combat or, more accurately, to conceal inflation. At the same time some transport managements accepted almost without question that their costs were bound to rise more rapidly than price inflation, in line with the growth of average earnings—the rationale being that (a) about 70 per cent. of the costs of a transport system are wages and (b) transport workers cannot be expected to fall behind other employees in the wage league. Thus, if fares are to be maintained relative to other prices, subsidies have to grow steadily.

This brings us back to London Transport. One reason why London was able to do without large subsidies longer than other cities, was that transport workers' wages fell slightly in relation to the national average during the 1950s and 1960s. The crippling staff shortages of 1972-1974 put an end to this relative decline. Since 1975, Londoners have been paying both for real increases in transport workers' wages and a U-turn in the earlier policy of freezing fares and raising subsidies. It is not surprising, therefore, that passengers are up in arms about tube fare increases which have averaged 9 per cent a year over inflation.

What is surprising, and deplorable, is that greater efforts have not been made by management to offset justifiable pay demands by increases in productivity. Great opportunities were lost, partly as a result of rigid government pay policies, during the period of staff shortages in the 1970s. These could have been exploited to accelerate productivity improvements, such as one-man train and bus operation and automated fare collection, which are standard practice in most other cities.

Management and unions have indisputedly failed Londoners on productivity. But what the politicians who justifiably castigate the LTE management rarely admit is that even substantial productivity gains could make only a limited contribution to solving the intrinsic problems which London Transport shares with other urban transport systems. Even if LTE could shed overnight its 12,000-odd guards, bus conductors and ticket collectors, the reduction in its operating costs would cover less than half the £152m gap which opened up in 1979 between passenger revenues and expenses. And even with the best will in the world, productivity improvements of anything like this order could be achieved only over a long period, after a massive re-equipment programme.

For the foreseeable future, hopes of resuscitating a first-class public transport system in London and avoiding fresh fare increases well above the rate of price inflation must depend on a change of attitude towards subsidies by the GLC and the Government. It is not only because it will soon be confronted by an equally serious financial crisis in British Rail commuter services that the Government must be involved.

The Government alone has the powers to introduce new methods of transport financing which could be preferable to straight subsidies from tax- and ratepayers. These are inevitably a crude means of reflecting the social benefits of public transport. The vagaries of the local rating system, in particular, make it unlikely that bigger subsidies, financed entirely through higher rates, would spread the burden of transport costs more fairly.

Great opportunities were lost in the 1970s to boost productivity

That is why management at London Transport and British Rail have show a keen interest in finding ways of making indirect beneficiaries, such as employers, retailers and hotel operators, contribute to transport costs. They point to Paris, where a levy on companies with more than 10 employees provides nearly a third of the revenues of urban and suburban transport systems. What London now needs is not a witch-hunt at London Transport, but a plan, agreed by transport managers, unions, local and national government and all those who have a stake in the city's economy to put the transport system on a more efficient and financially stable footing.

*Subsidisation of Urban Public Transport, Transport and Road Research Laboratory, 1980.

FARES AND SUBSIDIES AROUND THE WORLD

	Fare (pence) per km	Fare (pence) per journey	Operating subsidy amount £m	Operating subsidy as % of operating costs
London (rail)	5.9	44	135*	26*
(bus)	5.6	19		
Paris (rail)	1.8	16	417	59
(bus)	1.5	NA		
New York	NA	21	284	47
Washington	3.1	23	59	55
Munich	6.1	NA	79	52
Hamburg	2.7	NA	57	34
Montreal	NA	17	39	50

NA=Not available. * Including subsidy for pensioners' travel.

MEN AND MATTERS

Denning in deep water

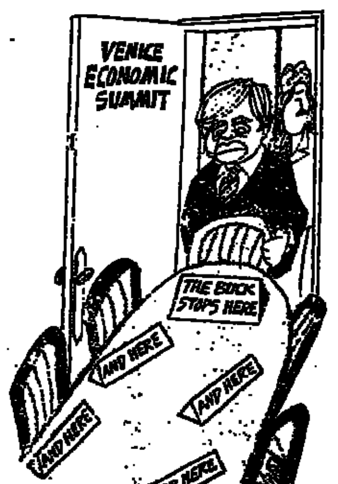
That grizzled judicial thespian Lord Denning is still in fine dramatic form, I see. His bucolic tones rose and rumbled through the court the other day as he expressed his displeasure at the plodding progress of a 10-year-old legal dispute between two U.S. oil companies.

The good lord had been bogged down for nine days in arguments over disclosure of documents when he complained: "We have had excursions into the law of the sea, of territorial waters and the continental shelf, into sovereign immunity and diplomatic immunity, into the rules of court and goodness knows what else.

"No expense has been spared. No stone left unturned," he grumbled. "It looks like outdoing Jarndyce vs Jarndyce (Bleak House) — except that these litigants are not likely to run out of money."

He would not order any more documentation to be produced, he declared. "There is quite enough of it, in all conscience. Set the action down for trial at once. Let it hang about no longer. For goodness' sake get rid of it one way or the other."

Lord Denning is 81.



Restless nestling

After a two and a half year incubation under the protective wing of the National Enterprise Board, Systems Designers —a computer consultancy at the outset — has emerged fully-fledged and busily involved in software and hardware manufacture.

The new managing director, Errol Bishop, is not saying whether he is ready to fly the coop yet, but for some time there have been clear signs that Systems and its four NEB nest-mates are anxious to test their wings. Sir Keith Joseph's indecision over the future of high technology, Bishop tells me, "has not been very helpful."

In 1978 the NEB bought 26 per cent of the company for £182,000 and stood it a loan of £325,000. "Set off those borrowings against our net worth now of about £1.25m," says Bishop. "It is not very much, and it would not be at all difficult to refinance the company from the City."

Bishop, engineer turned banker turned manager, first came to the company in 1976 as a non-executive director. Today he takes over day-to-day operations from Philip Swinstead, who continues as chairman of the growing group.

In the next week or so he expects to announce profits for last year of £340,000 compared with £143,000 in 1977, and a continuing compound growth rate of better than 50 per cent a year. The new computer hardware arm has contributed some £1m to turnover, while the payroll has risen in three years from 80 to 240. "That is only fee-earning workers," Bishop notes. "You have to add another 25 per cent for overheads like secretaries and myself."

Nouveau riche

Money, say our front-parlour philosophers, is not everything. But they should try telling that to Gu Shuhua from Hubei Province in Central China, who has declared publicly: "One cannot have happiness without money, and with it everything can be realised."

Most Chinese share his opinion, he claims in a letter to the Workers' Daily, but are loth to admit it. "Otherwise," asks the ingenuous Gu, "how could you explain that the peasants are busy in their own plots day and night and that workers work extra hours for a bonus?" They do it, he claims to eat and dress well, enjoy recreation and find "the ideal lover."

"Money makes you virtuous and happy," he concludes. And the authorities seem tacitly, at least, to agree. Discussions of the benefits of money have featured regularly in the Chinese Press this year and diligent workers like Gu who have managed to buy television sets and other luxury goods are now held up as shining examples to the bewildered masses.

Elbow benders

Better on names than ingredients, entrants in my Bank of England cocktail contest clearly have odd ideas of what is and what is not potable —or printable for that matter. Laden with quasi-financial symbolism, but just about palatable, I think, is Richard Green's Giltcracker which includes two measures of tequila, for South American parallel; one measure Bermuda Gold liqueur for reserve asset strength; one measure Amaretto in recognition of Italy's help in the EEC budget haggle, one measure triple sec, because the Bank always overdoes things; a large dollop of bitters for obvious reasons; grenadine for red tape, and fresh lime juice "because it is good for you."

The Silly Old Lady from Anthony Foley in Essex is disqualified for disrespect, and because no one would survive his potion based on Guinness, strong spirits from seven other EEC countries and a dash of cold water from Britain. A laboured jibe, I think, at our non-membership of the European Monetary System.

Also out is the fistful of contrived in-joke contributions—Threadneedle Deadeners and the like—based on Gordon's gin (get it?), garnished with Mint and filtered before serving through such unlikely appliances as a "recently-discarded corset."

I particularly liked the name of an anonymous effort from someone using Citibank notepaper, who proposes the London Wallbanger. But I do not believe that a blend of Underberg, flat champagne and syrup of figs garnished with a goldfish is quite what I had in mind.

Helpless

Who will guide the staff from an Occupational Guidance Unit of the Manpower Services Commission in Yorkshire? The question comes from Leslie Brown, a director of Weir Foundries, who called for counselling help on behalf of a number of older employees being made redundant by his company.

"Sorry mate," said a voice down the line. "We are all redundant ourselves this coming Friday. Diabolical . . . . we have never been busier."

Pushed out

After a Birmingham businessman had interviewed an 18-year-old job applicant he wrote to his previous employer for a reference. The reply came by return: "During the five weeks Alan was in this office he applied his efforts in the wrong direction — instead of pulling his weight he pushed his luck."

Observer

FINANCIAL TIMES SURVEY
Monday June 23 1980

UNITED ARAB EMIRATES

The federation has survived intact against heavy odds since its formation in 1971, although tensions remain between the emirates—particularly Abu Dhabi and Dubai. It is showing signs of recovery from two years of recession and higher earnings from oil and from foreign investment represent an enormous growth in wealth.

Political hybrid seeking identity

By Anthony McDermott

SINCE THE United Arab Emirates came into being in 1971 more attention has been directed to whether this hybrid political formation can hold together than tothe fact that it has. In theory at least it has seemed an impossible equilibrium tosustain.

On the one hand there are the seven member emirates led by individualistic rulers with decades of familial and commercial alainces and fueds behind them; on the other—to replace Britain's withdrawal—the concept of a federal State which would ultimately become a genuine unified entity. iWth hindsight it may be said that only anoutsider—in this case a Briton—could have worked out the patchwork of emiral enclaves on the Musandan Peninsula.

At the same time it was convenient for these emirates—before 1971—to have Britain there looking after foreign *affairs and defence and providing* a certain catalyst for unity. (It is a passing irony and reflection of today's events that *it is now being argued that* Britain erred in leaving when it did and would be welcomed back, if not singly then at least within a Western alliance.)

But the fact remains that, against most odds, the UAE has survived intact—despite severe political tensions both internally and in the Gulf region generally.

Each year sees political and economic compromises directed at bringing the federation together: The appointment of Sheikh Rashid, the Ruler of Dubai, as Pri meMinister last *July went some way towards* balancing the position of Sheikh Zayed, Abu Dhabi's Ruler, as President. The defence forces of Ras al Khaimah are now fully integrated. Abu Dhabi and Dubai have pdegde to give 50 *per cent of thier oil revenues* to the federal budget. There is serious talk of establishing a central bank to replacethe UAE Currency Board.

But despite these undoubted gains the UAE *remains* chronically unsure of itself, buffeted in particular by three separate forces—tensions between the super powers, *regional* development and internal pressures for more democracy.

The result is an international posture that requires the UAE not be involved in anything except its own development. It is a vain dream, for the UAE produces too much oil to be without some moderating influence within OPEC, gives considerable *international* aid and is too strategically placed to be ignored.

Thus the Soviet invasion off Afghanistan was condemned—yet, while the UAE sympathised with the West, the reaction to *the abortive U.S. attempt to* rescue its hostages i nIran, of whose captivity the UAE disapproves, was somewhat publicly one-sided against the U.S. This was because the UAE sees the U.S. and its military build-up in *the Indian Ocean as a magnet* for trouble. It reflects too a desire to avoid being drawn overtly into taking sides between the U.S. and the Soviet Union.

Uncommitted

The continuing upheavals in Iran—and above all the seizure of the Great Mosque in Mecca *last November*—have emphasised to the UAE how brittle the power of the ruling family or government can be. This vulnerability is linked to the first point by the fear that these *weaknesses could be exploited from outside. A logical alternative*—and one which has been under discussion for years—is some form of Gulf security pact. But the worry here is that each potential ally is, in the UAE's eyes, flawed in some way: Saudi *Arabia and Iraq for fear of their* power to dominate: Kuwait, Bahrain and Qatar because they would be inadequate support on their own: and Oman because of its approval of the Camp David agreement and its close *links with the U.S.*

The outcome—and probably the correct one—is that the UAE intends to remain nervously uncommitted—or at least in public.

How firm is the domestic political base to confront these external pressures? In spite of the gradual moves towards a more powerful federal government, the tensions remain among the emirates—chiefly *Abu Dhabi and Dubai.* This is despite the fact that Sheikh Rashid takes his role as Prime Minister seriously and holds Cabinet meetings with greater frequency than before. In addition his oppointment in July, *replacing his own son Sheikh* Maktoum, ended a two-month crisis which reflected the conflict between federal centralism and the relative freedom of the individual emirates.

But the underlying concern and worry *occasionally re-*emerges. Mr. Ahmed Khalifah Suwaidi, the Foreign Minister, resigned in April. There was a certain measure of truth in the excure that it was for health reasons, but it reflected in fact dissatisfaction by an Abu Dhabian with the running of federal affairs since July *1979. (He remains, however,* very much the key adviser on foreign affairs.)

In February, there were demonstrations in the northern emirates over higher petrol prices—proving, as Dr. Mana Said Oteiba, the Petroleum Minister, said at the Federal National Council (FNC), that "it is not in the public interest to have a symbolic Petroleum Ministry unable to exercise real control over the wealth of the emirates." *He went on:* "The reality is that each emirate wants to run its internal oil affairs separately."

In April, Mr. Abdel-Rahman Atiq Ghanem, Under-Secretary of the Economic Ministry, in a discussion on the commercial discrepancies caused by the authority of individual municipalities (this year united into a Secretarat-General under Mr. Jassim Darwish) conflicting with those of federal government, said: "We don't have laws for trade, companies, agencies or insurance... so here I ask why is there an Economy Minister in the country?"

Thus there is a conscious sense and *frustration* that movement towards units has not proceeded as fast as it should. At the same time the past year has seen growing debate about the level of democracy—particularly representation. A crucial decision will have to be made by the end of next year, because the provisional constitution has to be replaced after five years' renewal. One clause, No. 69 in particular, raises the question of each emirate being free to determine the method of selecting its own delegates to the FNC. So far all 40 members have been appointed. The informed guess at this stage is that a compromise between the numbers appointed and elected will be reached.

At the heart of this debate *is the long-standing concern* that if a large proportion of representatives are elected and the Government becomes centralised, the traditional majlis system of the rulers will become *more irrelevant* and *the popular power* through patronage the individual emirs derive from it diminished.

Nevertheless—and sometimes these voices sound despairing—the call for greater unity has strengthened. As long ago as February last year Mr. Taryam Omran Taryam, the FNC Speaker, submitted a 10-point memorandum to the Supreme Council of Rulers calling among other things for the abolition of internal borders, the unification of defence forces, the broadening of the FNC's legislative powers and the adoption of a permanent constitution.

Daily papers like al-Khaleej not only editoralise about *Zionist influence on U.S. media but also call for*, the liberty of thought for university students, as well as discussing the electroal issue. Perhaps most audacious in airing these views is the weekly Sharjah-based al-Azmina al-Arabiya. The same issues are discussed at the university of al-Ain.

Caution

But the Government is treating them with great caution although it has taken an intiative through an occasional television series "Conversation with an Official" in which journalists somewhat tamely cross-examine Ministers. But caution results partly from seeing such moves as weakening *their authority* and partly from wanting to see what moves take place in the coming months in Kuwait and Bahrain and even in Saudi Arabia, towards democratisation and the question of the status of national assem*blies*.

Within the context of freer debate comes inevitably the question of religion and its influence on daily life. It is clear form the appointment of some members of the July Cabinet—in particular Mr. Said Salman, the Education Minister, and Mr. Saif Jarwan, the Labour and Social Affairs Minister—that the conservative Islamic side has been strengthened too. There is justified concern—following the revolution in Iran and some of the fundamentalist demands *made by the attackers of the* Great Mosque—about what happens to a society which develops too fast, becomes overwhelmed by Western products, attitudes and customs. This applies particularly to the UAE *where nationals are gradually* becoming a smaller minority—today perhaps as little as 15 per cent — in their own country. Thus religious teaching at the university has been reasserted (and comparatively free-thinking *Arab professors sacked*). There are plans too for banning co-education above kindergarten level.

If balance of payments figures

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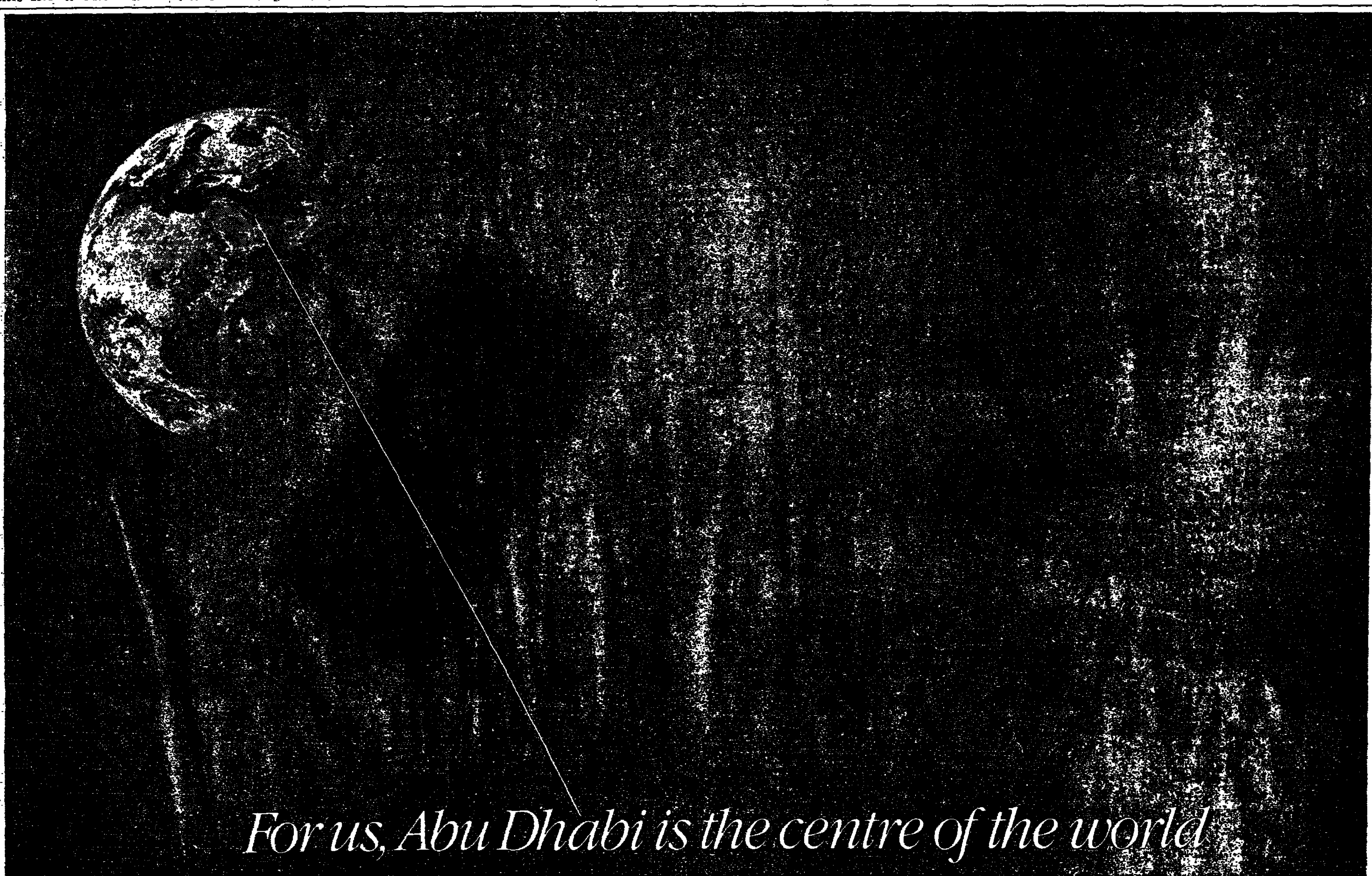
CONTENTS

BASIC STATISTICS

Area	32,300 sq miles
Population	950,000
GDP	53.4bn dirhams
TRADE	
Exports	51bn dirhams (1979)
Imports	20.7bn dirhams (1978)
UK TRADE 1979	
Exports to UK	£277m
Imports from UK	£590m
Currency	*£ = 8.66 dirhams*



Emirates almost indefensible

THE CRISES in Iran and Afghanistan, the tension between the U.S. and the Soviet Union, and the siege at the Great Mosque in Mecca last autumn have all brought home to the UAE as never before its defence vulnerability.

This nervousness was reflected in a statement made by the UAE President, Sheikh Zayed, in March that "all is well in the Gulf and it has no need of U.S. or any other forces. If America wants to despatch forces it could send them to the burning invaded regions of Afghanistan—that is where the foreign aggression is, not here in the Gulf."

He went on: "The presence of U.S. forces in the area is not something we expect from a friendly country like the U.S. The peoples of the world would co-operate and live in peace if it were not for the intervention of the big powers, so these powers must work to keep the Gulf region clear of their rivalry."

The UAE's defence forces are by any standards anomalous, and faced with impossible alternatives. For a start, it is hard to define who is the UAE's most likely foe. Sheikh Zayed has made plain his distaste for being drawn into the competition between the superpowers. But when the paranoia is strong, it is possible for the UAE to see potential enemies at every turn—and to draw the logical conclusion that given the UAE's political composition, its geography and long coastlines, and minute national population it is virtually indefensible.

There is concern about its main neighbours—Saudi Arabia, with whom Sheikh Zayed in 1974 concluded a controversial deal involving considerable concessions over the country's borders; Oman, which provides 60 per cent of the armed forces' manpower; and Iran, which continues to occupy half of Abu Musa island and the Greater and Lesser Tunb islands.

It is small wonder that, echoing its foreign policy, the UAE defence forces, while equipping and deploying themselves as best they can, would prefer to adopt the lowest profile possible, even at the expense of closer Gulf co-operation.

In analysing the composition and deployment of the armed forces, certain fundamental points should be made (and in the end not exaggerated).

Misleading

First, it is misleading to present the forces as a neat whole, divided—as the London-based Institute of Strategic Studies (ISS) does—into army, navy and air forces. For the armed forces are basically divided into three commands—the Western in Abu Dhabi, containing the GCHQ, the Central in Dubai, where the Defence Minister, Sheikh Mohammed bin Rashid al-Maktoum, the ruler's son, and the Defence Ministry are situated; and the Northern Command, the other emirates which come under the control of the GCHQ.

In theory, all the emirates agreed to integrate their forces in 1976. But since 1978 the traditional rivalry between Abu Dhabi and Dubai, exacerbated as a result of tactless military appointments by Sheikh Zayed *without consulting either Sheikh* Rashid or his son. Dubai has run its own forces, numbering about 6,000 men, with its own purchasing policy and indeed leading to over equipment. Indeed, its boasts the finest parachute school in the Arab world, whose men came second in 1978 only to the British Army on the Rhine at a competition in Cyprus, where several Arab armies took part.

At the same time, Ras al Khaimah has agreed to integrate its own forces—constituting No. 2 brigade, with some 2,500 men; and the former Trucial Oman Scounts, based in Sharjah with some 5,500 men, are now an integral part of the federal forces.

The second point is that the UAE spends perhaps more than any other country in the world per caput on its own citizens' defence—even more than Israel. Federal expenditure rose from 3bn dirhams ($0.81bn) in 1979, to 4.5bn dirhams ($1.26bn) for this year—in both cases about 36.6 per cent of current expenditure.

Dubai bears the full cost of its own forces, and in 1978 out of a total Government departmental expenditure of 828m dirhams ($222.4m), 261m dirhams ($70.1m) was spent on the Central Command HQ, and 29m birhams ($7.8m) on the Dubai Police Airwing.

Third, apart from the fact *that the UAE for the moment is* effectively two forces—the Federal and Dubai's—the nationality mix is extraordinary, with *no less than 26* represented, including about 25 Britons and two Japanese karate instructors and contract and *loan officers from Pakistan*, Jordan, Sudan and Egypt in particular.

Omanis make up 60 per cent of the forces, and this remains a point of some sensitivity, particularly as there is a tendency for many to return to their country for weekends.

Against this is presumably set the calculation for the UAE that mercenaries—in the broadest sense—both in the armed forces and the intelligence services, could well be more dependable and coup-proof than nationals. However, there is a deliberate effort to promote UAE nationals into higher positions of authority—at present the chief of staff is the able General Awad Khalidi, a Jordanian—and to increase their representation in such key positions as pilots.

The Federal Government is aware, too, of the need to strengthen its armed forces. It has both raised pay and given detailed consideration to enforcing conscription. Since the beginning of the year the new monthly pay scales range between 10,000 dirhams ($2,700) for a colonel to 2,040 dirhams ($550) for a corporal.

In broad terms, the UAE forces are deployed as follows. There are six brigades (including one in Dubai). Three (numbers four to six) are based in Abu Dhabi and involve mechanised infantry, armour and the royal guard brigades. Two others are based in Sharjah and Ras al Khaimah.

For obvious strategic reasons, a *military base, involving* an airfield, to cater for 500 families is currently being built at Fujeirah on the Gulf of Oman, *at the cost of 120m dirhams* ($32.2m). Ajman, Umm al-Quwain (with 200 soldiers and six Scorpions and Fujeirah otherwise rely largely on local police forces for their security.

The total military establishment is about 40,000, somewhat more than the 21,150 listed in the most recent assessment of the ISS. The navy, based in Abu Dhabi, employs some 2,000 men but is clearly overstretched even with six Vosper Thorneycroft large patrol craft, armed with 70m guns and Exocet missiles, and with six fast patrol boats from West Germany still on order.

Two wings

The air force, whose man-*power totals about 1,500, has* at its heart 31 Mirage, five interceptor-strike formations in two wings, based in Abu Dhabi. A ground-attack squadron, formed in 1970, operates seven ageing Hunters from Sharjah and two T-77 trainers. The transport section is also based in Abu Dhabi and consists of two Lockheed C-130H Hercules, one Boeing-720, three Caribou, four B-N Islanders and five DHC-5D Buffalos.

For more immediate mobility, the air force has a helicopter force of 10 SA 330 Pumas, seven Alouette IIIs, and eight Italian AB-205As.

Dubai has a small counter-insurgency force equipped with six armed single-seat Aermacchi MB 326KDs and two double-seat MB 326 LDs.

Abu Dhabi has additional military projects for the construction of a military airport south of Tarif, costing about 300m dirhams ($80.6m), and an airbase for transport aircraft at al Hamra, costing 37m dirhams ($9.9m).

The Federal forces are inevitably thinking of modernising their forces. General Khalidi is reported to have a plan which would involve the purchase of hovercraft to strengthen the navy. He would like also fighters to replace the seven Hunter aircraft. The army, which already has about 100 AMX VCI tanks, 50 Scorpion light tanks and 70 Saladins, is, according to his plans, to have its artillery strengthened and the number of armoured vehicles increased.

The defence forces are caught, in the end, between trying to organise and think as a united force, acting for a unified State, which the UAE, through no fault of its own, is not, between trying to plan regionally and internally against threats which might occur, and facing the facts that, even with the funds available, they can only go through the general motions of forging a force which will have to be one of the executive pillars of the State.

Anthony McDermott

Experience is driving force behind aid to poor nations

IN A virtually tax-free society, such as exists in the UAE, Islam enjoins a wealth tax of its own.

The duty of almsgiving is known as *Zakat*, and a devout Muslim should contribute at least 2½ per cent of his income, first to needy members of his own *family, then to his neighbours*, and then to the community at large.

Abu Dhabi, the richest of the seven emirates, is following the same order of priorities on a national scale. Foreign aid alone, which must also be seen as a discreet arm of foreign policy, is currently estimated at 20 per cent of its gross national product, far in excess of the requirements of *Zakat*; and this does not count the "family" subsidies to Sharjah, Rasal Khaimah, Fujeirah, Aiman and Umm al Qawain.

The most recently published annual report of the Abu Dhabi Fund for Arab Economic Development (ADFAED), for 1977, puts aid to the developing world from industrialised countries at no more than 0.32 per cent of their GNP, less than half the 0.7 per cent recommended by UNCTAD for its second decade of development *(1971-80). The point is made* not in a spirit of self-glorification, but to emphasise the failure to push the national economies of developing States to the stage of self-sustaining growth.

A clue

Abu Dhabi's recent past provides a clue to its extraordinary generosity. In the words of Nasser Al-Nowais, managing director of ADFAED: "Twelve years ago, we had no infrastructure, no modern schools or hospitals. Houses were built of mud and palm leaves and the people were very poor. Our experience is the driving force behind our aid to other developing countries, because it is easier for us to sympathise with those suffering from poverty, hunger and disease."

Despite its new-found wealth, Abu Dhabi could still claim to be part of the developing world. It has few natural resources other than oil, industrialisation is at an early stage, agriculture is largely experimental, and the infrastructure is incomplete. The emirate thus has a dual role to play, in pursuing a policy of development at home, while contributing to a more balanced world economic order.

ADFAED is one of several distributors of funds in Abu Dhabi. When oil revenues first began to provide something to spare, in 1970, foreign aid was given mainly on a government-to-government basis, through the Ministry of Financial Affairs. Much of it went to make up balance-of-payments deficits—which did not entirely fulfil the purpose of *Zakat*, to improve the lot of the human being.

It was therefore decided to channel aid into projects which would benefit the people of poor countries more directly, and to set up an institution which could also help in studying how best to exploit the natural resources available.

Although ADFAED was established in 1971, it was two years before it was ready to accept requests from various Arab nations to finance local development projects. As a result, the first loan agreement between the Fund and an Arab nation was signed during 1974. It was for the King Talal Dam project in Jordan, which had been interrupted by the Arab-Israeli conflict.

In the same year, the capital of the Fund was increased from the original $125m to $500m, and its operations were extended beyond the Arab world to the poor nations of Africa and Asia. The African republic of Burundi, India, Malaysia, Bangladesh, Sri Lanka and the Maldive Islands all received aid in 1976.

In 1978, disbursements reached a peak of $210m, most of which went to oilfield development in Oman—a country which, under the *Zakat* philosophy, would count as a near neighbour, if not as a member of the family. Some $3m financed technical studies for a dam in Senegal and an airport in Lesotho, together with a survey of water resources and agricultural potential in the Wadi Siham area of North Yemen. Yemen also received a $10m loan for a water supply and sewerage project.

The remaining beneficiaries were Bangladesh, Sudan, Uganda, the Maldives and, somewhat surprisingly, Malta, which received $7m for port development.

Last year loans dropped back

CONTINUED ON NEXT PAGE

First formal economic and social plan on the stocks

NEXT YEAR may see unveiled the first formal attempt at comprehensive long-term planning for the United Arab Emirates (UAE), as a whole. On the basis of a memorandum submitted by the Ministry of Planning, the Supreme Council decided in March of last year to prepare a framework for a five-year economic and social development plan covering the period 1981-85. More precise details—for example, of the size of investments—are not yet available. In any case they are both impossible to calculate at this stage and largely irrelevant. Far more important is the fact that the federal authorities have grasped that a long-term economic strategy is essential, and are slowly moving towards doing something about it.

As such, the proposed development plan is not the first within the UAE. Abu Dhabi drew up a 1968-72 plan involving the expenditure of 295.9m Bahreini dinars. Abut Dhabi has since drawn up a second plan, whose publication is reported to be held back until the national plan appears.

Several factors have contributed to the UAE Government's decision to attempt long-term planning. First, the basic infrastructure—mainly , roads, power, communications and social services facilities—selected itself and is now broadly in place. Second, and as a result, the choices have become increasingly difficult. It is now more important to decide what level of economic activiey is to be encouraged (with its crucial implecations for the population) and which areas are to be developed. Oil earnings may be abundant, but the evaluation of projects must nevertheless be refined to avoid wasteful investment decisions.

Comprehensive

Third, the longer the UAE exists as a federal entity and moves towards economic co-operation, the more pressing it becomes to set aside the piecemeal approach of aid to the Northern Emirates and competition between the others in favour of a comprehensive planning programme.

Fourth, it is clear that one flaw in the UAE's unity is the lack of financial institutions, such as a central bank, to give backing to the executive authority of the Ministry of Planning.

The Ministry, headed by the able Mr. Said Ghobash, has so far conducted locally and with the help of international bodies a series of sectoral and regional studies—but without yet producing a comprehensive plan. The aim is to make recommendations for development to be submitted to the UAE Government.

The starting point for the national plan is the size of population, or more specicafilly, the proportion which should be foreign labour. The details of the population issue is dealt with at length elsewhere in this survey. But the population problem can be stated briefly and starkly. Between 1968 and 1977 its overall growth rate averaged 18.5 per cent, phenomenal by any standards. But the growth rate of nationals during this period averaged only between 3 and 3.5 per cent. Thus while nationals made up 90 per cent of a total population of 180,000 in 1968, in 1977, of a population of 840,000, only 25.6 per cent were local citizens.

Officials are understandibly evasive about the precise details of the population composition today, but the total could be as high as 1.3m, of whom only 15 per cent could be counted as locals. In short, the major concern is that even if slower growth rates were enforced there would still be the risk that the UAE would lose its identity in a sea of foreigners.

UAE planners have been using three models for their population projections up to 1985. It is acknowledged that, even if determining the size of the population is a fundamental calculation, there has to be a trade-off between population and economic growth rates if the ultimate shape of the UAE economy is to be decided properly.

The first option is to allow the population to grow untrammelled.

The second involves the stabilisation of the population at about 1m (a figure certainly surpassed already), and the third the reduction of the population by 1985 to its size of a decade earlier, when it totalled 770,000 and the local component was 36 per cent. These two latter option would imply average annual growth rates between 1.6 and 6.8 per cent.

Clearly the problem of executing either of the two last lies in the contradiction between a Government which instinctively encourages market forces to operate and one which, in order to reduce the size of the (foreign) population, would have to introduce measures of unprecedented economic restraint.

The population problem is further complicated by the fact that the UAE from this point of view is two countries. In Abu Dhabi, Dubai and Sharjah locals are in a minority. But in Ras al Khaimah, Umm al Quwain, Fujairah, and Ajman, it is reasonable to estimate that foreign labour makes up less than a quarter of the population.

Indeed Fujairah announced last month that it would sponsor the presence of all foreign casual labourers. This contrasts sharply with the report in the daily al Ittihad last month that 35 per cent of the people in the UAE were illegal residents, and by implication unncessary. Furthermore, this point should reinforce the fact that there is over-employment in the construction and manufacturing sectors, and that there could be a net fall in foreign labour as the nature of industrial projects becomes more sophisticated and less labour-intensive.

Cutting jobs

Thus, as in Saudi Arabia, whose development problems are not dissimilar and whose latest five-year plan has just been issued, a development plan for the UAE involves not the creation of jobs, but rather their reduction, the emphasis on ensuring that foreign labour is kept to a minimum, and that capital-intensive industries are developed. Thus the way points inexorably, as in other countries in the region, towards exploiting cheap hydrocarbons feedstock, and the training of local manpower at all levels, but particularly through expanding technical education.

The other broad recommendations made by the Planning Ministry are that the economic imbalances between Abu Dhabi, Dubai and Sharjah—all in their various ways endowed with oil and manpower — and the four Northern Emirates should be reduced.

Agriculture would be encouraged through land reform, badly needed irrigation schemes, the development of fishing (in particular fishing farms), and the provision of assistance to farmers to entice them to stay on the land and not to drift to the cities. There would also be efforts to develop the Northern Emirates' mineral resources.

Furthermore, the Planning Ministry would like to see the UAE's other substantial commodity — capital — exploited through the development of institutions for investment abroad, and for giving greater federal aid to developing countries.

A. McD.

UAE BALANCE OF PAYMENTS
(Dh bn—est.)

	1974	1975	1976	1977	1978	1979†
Merchandise trade	22.47	18.02	21.99	19.51	17.29	34.30
Oil exports (fob)	27.51	26.78	32.64	35.52	33.33	52.21
Abu Dhabi	(23.56)	(22.60)	(27.07)	(29.76)	(26.52)	(42.25)
Dubai	(3.76)	(3.88)	(5.26)	(5.52)	(6.60)	(9.76)
Sharjah	(0.20)	(0.31)	(0.32)	(0.25)	(0.21)	(0.20)
Gas exports	—	—	—	0.13	0.51	0.63
Other exports and re-exports (fob)	1.71	1.81	2.50	3.56	4.22	6.20
Total exports and re-exports	29.22	28.59	35.15	39.22	38.06	59.04
Imports (cif)	−6.75	−10.57	−13.15	−19.70	−20.77	−24.74
Abu Dhabi	(−2.23)	(−3.73)	(−4.06)	(5.40)	(−6.28)	(−5.91)
Dubai	(−4.52)	(6.84)	(−9.09)	(−12.18)	(−12.66)	(−16.68)
Sharjah	—	—	—	(−2.12)	(−1.83)	(−2.15)
Other current transactions	−8.34	−6.72	−8.48	−12.15	−10.74	−15.71
Current account balance	14.12	11.30	13.51	7.36	6.55	18.59
Capital account balance	−6.35	−5.51	−4.64	−5.74	−2.24	−7.66
Capital movements						
Official grants and loans	−3.13	−4.07	−4.96	−4.79	−4.05	−6.41
Official borrowing (net)	0.74	0.32	0.79	1.00	3.50	−0.70
Official equity participation	−0.21	−0.60	−0.96	−1.45	−0.89	−0.55
Oil sector	−2.27	−1.16	−0.50	−0.50	−0.80	—
Overall balance	+7.77	+5.79	+8.87	+1.62	+4.31	+10.93
Monetary movements (increase −)	−7.77	−5.79	−8.87	−1.62	−4.31	−10.93
Monetary institutions	−3.59	−3.91	−0.53	+12.76	−0.10	−0.90
Governmental	−3.85	−1.67	−0.36	+14.46	−4.30	−10.09
IMF position	−0.33	−0.21	—	+0.01	+0.10	+0.06

† Provisional. Source: Figures contained in the UAE Currency Board December 1979 Bulletin.

Overseas aid

CONTINUED FROM PREVIOUS PAGE

to the $125m average which the Fund hopes to maintain as an annual commitment. The biggest contribution was to a phosphate fertiliser project in Tunisia, in which the Fund is taking a $25m equity participation as well as providing a loan of more than twice that amount. Mauretania received $20m for an iron ore mining project and another $10m for road construction, while smaller loans went to Morocco, the Comoros Islands, Madagascar and the Seychelles.

Commitments to the end of 1979 amounted to $800m. In addition, ADFAED has taken on taken the management of a number of Government loans, to bring the total loans under its supervision to $1.3bn.

There are conditions to the aid provided by ADFAED: the Fund's share in any one project may not exceed 10 per cent of the Fund capital or 50 per cent of the total cost; and the project must be both feasible and economically viable. There is no discrimination in granting loans; all countries receive the same treatment, although the terms of the loan may vary according to the type of project. Generally the loan is for 15-20 years, with a grace period of up to 5½ years. Interest rates are 3-4 per cent.

Although it is not the policy of ADFAED to favour any one sector of the economy, except insofar as it has priority in a particular national development programme, in practice the Fund's share of lending has boosted power and water projects and industrialisation, with smaller amounts going to agriculture and fishery resources, transport and communications, hotels and housing.

About 60 per cent of aid goes to Arab countries, but close at hand in the Gulf only two need outside support. Oman and Bahrain have already benefited by $230m, and Bahrain's two most recent Government-sponsored small-scale development projects will this year receive Abu Dhabi's support, in the form of loans to match the shareholders' equity. One is a light industries company to establish factories for furniture and welding electrodes—for which ADFAED also conducted the feasibility study—and the other is a feed mill and broiler processing plant, which will later include a hatchery to supply day-old chicks to farmers.

Apart from the funds controlled by ADFAED, the Government continues to give balance-of-payments assistance to several states, including North Yemen, Zaire and Sudan. Abu Dhabi can also be relied upon for a swift response to appeals for famine and disaster relief; whenever possible it buys food, medicines or agricultural equipment instead of giving cash, to ensure that the benefit goes direct to the people.

All this is quite separate from the personal charity of Sheikh Zayed, who is known to be particularly generous towards schools, hospitals and welfare projects.

The Federal Government, which until this year has been financed largely by Abu Dhabi, also has a number of foreign aid commitments—not least the International Development Association, to which it contributed $20m last year. Also on the Federal list are the World Bank, the OPEC Special Fund, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, and the Khartoum-based Arab Fund for African Development.

Mary Frings

UNITED ARAB EMIRATES IV

Abu Dhabi and Dubai have decided to exploit their gas for long-term industrial development. Meanwhile oil price rises have benefited the UAE, although the rewards are unevenly spread. Anthony McDermott reports on this and the facing page.

Gas finds exploited

THE United Arab Emirates—or rather Abu Dhabi and Dubai—have, like most States in the region, made the strategic economic decision to exploit their gas as a basis for long-term hydro-carbon-based heavy industrial development. On April 22, a $400m gas plant was opened at Dubai's industrial zone of Jebel Ali. On Das Island, after some problems initially, the Abu Dhabi Gas Liquefaction Company (ADGLC) has for four years been operating a liquid natural gas (LNG) plant. Since 1977, the Abu Dhabi National Oil Company (ADNOC) has been developing a major onshore gas-gathering programme known as GASCO.

So far it has been a question of harnessing and exploiting gas associated with oil output that would otherwise be flared and go to waste. At the same time the drive to locate reserves of pure natural gas has been intensified.

In Abu Dhabi, great hopes are attached to further delineation of the Khuff structure. Further exploration, which has been held up by a lack of rigs, is to begin in August in the Bu Hasa field. In 1979, in the Umm Shaif field a deep well in the Khuff structure yielded a test of 80m cf/d with good quality low sulphur gas.

Officials still talk of discoveries on the scale of Holland's Groningen field, but at present with Abu Dhabi's proven reserves put at 20 trillion (million million) feet and Dubai's at 1.6 trillion cubic feet they total less than a fifth of that European field, and way behind such giants as the Soviet Union, Iran and the U.S.

Abu Dhabi has already been gradually increasing its use of natural gas, with the percentage flared falling from 67 in 1977, to 64.6 in 1978 (the last year for which there are at present official statistics). Production in 1978 totalled 1,311m cf/d. Since 1977, the Abu Dhabi Gas Liquefaction Company, which is 51 per cent owned by ADNOC and the remaining shareholdings distributed between Mitsui, BP, CFP and Bridgestone Liquified Gas Company, has been producing for export. The two trains on Das Island, situated 100 miles north-west of Abu Dhabi, came on stream in August 1976 and May 1977.

Pipes for the offshore fields await transportation at Dubai

Terry Kirk

Problems

The Das Island plant, built at a cost of $0.6bn by Eastern Bechtel Corporation and Chiyoda Chemical Engineering and Construction, has over the years suffered from technical problems, and has not been producing up to its full design capacity of 2.3m tonnes/year of LNG, and 1.3m t/y of LPC, which are shipped to Japan, where ADGLC has a 20 year contract with the Tokyo Electric Company (Tepco). The plan is also designed to produce 220,000 tons of light distillate and 230,000 tons of pelletised sulphur for export. It draws as feedstock of a daily throughput of 550m cf/d mainly from gas associated from daily production, the majority from the Umm Shaif field, but also from Zakum and Bunduq—all offshore. In 1979 ADMA-OPCO the offshore operators supplied a total of 310.4m cf/d.

ADNOC's largest gas undertaking is to exploit the gas flared and wasted from the Bu Hasa, Asab, Bab and Sahil onshore fields, which can produce about 985,000 b/d. A company was formed in October 1978, called the Abu Dhabi Gas Industries Company (GASCO), in which ADNOC holds 68 per cent, CFP and Shell each 15 per cent and Partex 2 per cent, to execute this project costing about $1.8bn, up $0.5bn since 1977, which is designed to process in Ruwais 28,200 cubic metres a day of raw NGL. It will use 1,030m cf/d of associated gas.

Natural gases are processed and separated after their collection from these fields. The by-products are transported to Ruwais for the final separation of LPG and pentane. Remaining gases are used locally as fuel. Agreement has been reached in principle for the sale of 1.3m tonnes a year of LPG for five years from 1981 to the companies Idemitsu Kosan, Maruzen Oil, Showa Oil, Bridgestone Liquefied Gas, Mitsubishi and C. Itoh.

The first phase of the NGL plant at Ruwais is scheduled to be completed in August this year and the second by December. On the basis that the plant will be on stream for 330 days a year, the products from project at 100 per cent capacity are expected to total: 1,225 m t/y propane, 1,411 m t/y of butane and 2,130 m t/y of gasoline.

In the further future, it is planned to draw on natural gas feedstock from the gas treating centres located onshore at Bu Hasa, Asab and Bab for a fertiliser project, to produce 1,000 t/d of ammonia and 1,500 t/d of urea, with provisions for adding a second 1,000 t/d ammonia plant. ADNOC is to award the $350m contract on a design and build basis with the engineering contractor due to have been selected at the end of last month.

In the short term the cutback of allowables by the oil companies by 110,000 b/d from 1979 levels of 1.45m b/d is unlikely to affect the quantities of gas available for projects. At the same time, Abu Dhabi has been successful in linking its gas prices to those of oil. Thus it was announced on February 3 that, backdated to the beginning of the year, the price of the equivalent of 1m British Thermal Units (BTUs) would rise from $5.04 to $5.39. Following a further rise last month in oil prices, a further increase bringing the price to $5.75 was announced, backdated to May 1.

Dubai's gas operations are being undertaken by the Dubai Natural Gas Company, Dugas—owned 80 per cent by Sheikh Rashid, the Ruler of Dubai, and 20 per cent by Scimitar Oils Ltd of Panama, which acquired its share of equity from Sunningdale Oils of Canada. The latter reached an agreement with Sheikh Rashid in February 1975 to arrange the gathering and processing of gas produced in association with oil production of the offshore Fateh, Southwest Fateh and Rashid fields. In January 1977, this agreement was replaced by another assigning all obligations to Scimitar.

With a design capacity of 100m cf/d, Dugas is a far more modest operation—Das Island is five times larger, and Gasco eight times. Overall design of the project by Huston Engineering, was started in the spring of 1977. It will make a considerable contribution to Dubai's economy, not least by saving the equivalent of 30,000 b/d of crude oil currently flared off. Dugas LPG plant is designed to produce 370,000 t/y of propane, 260,000 t/y of butane, and about 2.5m t/y of condensates. Offtake agreements have been concluded with C. Itoh, which is taking 70 per cent, and Toyo Menka Kaisha, which is taking the remainder, for five years.

Feedstock

But apart from these export earnings, Dugas is to provide vital feedstock for the aluminium smelter, Dubal, whether associated or not, free for 15 years. In addition, Dubai remains optimistic that it too will benefit from the Khuff structure below existing oil fields.

The long term prospects for the UAE's gas and industrial strategy, unless Dubai makes some dramatic natural gas discoveries, will depend on closer federal co-operation. For Dubai's current production of oil (and therefore of associated gas) will not be sufficient for Dubal on full production, and this shortfall will become more acute as production itself gradually tails off in the coming years. Abu Dhabi has pledged that it will make up Dubai's shortfall in future years. This would involve the construction of a major pipeline to Jebel Ali.

It would also involve evaluating the possibilities of constructing a huge 2,000 MW power station on the Abu Dhabi-Dubai border. This would be fuelled from Abu Dhabi's gas fields, and would be largely to strengthen the inadequate grid for the Northern Emirates. It might be more economical to conceive of supplying the power station and Dubai under one project. But at this stage both decisions, although in economic and developmental terms logical, have their starting point in the politics of the emirates.

Meanwhile in the smaller emirates, gas hopes and finds remain largely hopes and commercially unviable.

In Sharjah there were reports in February that the New Orleans-based Forman Exploration and London and Scottish Marine Oil, in partnership, had for the first time found gas in two zones flowing at 14.4m cf/d offshore. But these, too, are far from being in commercially viable quantities. In Umm al Quwain the Canadian Superior group's offshore concession was terminated in January, after failure to negotiate sales contracts for a gas discovery established in 1976 at 41m cf/d. There had been hopes of piping the gas to Umm al Quwain and Ajman for local power generation, and even forlorn hopes that there would be sufficient quantities to help provide feedstock for Jebel Ali.

A consortium, with a 50 per cent holding by the Government of Ras al Khaima has been exploring for oil and gas offshore, but found only one well with an associated gas flow of only between 17 and 20m cf/d.

Dilemma over oil output levels

LIKE EVERY other oil producing country in the world, the United Arab Emirates has benefited enormously from the colossal rise in prices over the last few years. In 1979 alone, according to the Currency Board, the UAE's earnings rose to 52.21bn dirhams ($14bn), up by more than a third on the previous year's total of 33.33bn dirhams ($9bn).

But from the start it must be said that the benefits are unevenly spread. Only Abu Dhabi (1979 earnings: 42.25bn dirhams or $11.3bn) and Dubai (9.76bn dirhams, or $2.6bn) are producers of any size. Sharjah's ouput is small—it earned 20m dirhams in 1979 ($5.4m)—and declining. The four other emirates are virtually without oil though not without a tendency to over-optimism.

Apart from boosting incomes, the price rises have given Abu Dhabi and Dubai some leeway in which they can try to sort out production levels. These must be measured against income requirements, conservation (and the attendant argument that the most profitable place for oil is in the ground), and a genuine commitment — on Abu Dhabi's part at least — to maintain production at levels which will not contribute to an economic crisis among western industrialised countries, the main suppliers of its goods.

The dilemma is considerable. The Federal Ministry of Petroleum reckons that production of 300,000 barrels a day would be sufficient to meet the UAE's current financial needs. While production is currently at [illegible]m b/d. Petroleum Intelligence Weekly calculated in February that Abu Dhabi alone, which averaged 1.38m b/d during the first quarter of 1980, would need to produce only [illegible]41,000 b/d in 1980 to match the revenues of two years earlier. The International Petrolum Encyclopedia (1979) put Abu Dhabi's reserves at 30bn barrels—enough for 60 years at current production rates.

Higher prices have also meant that such emirates as Abu Dhabi have a longer time to delineate the potentials of existing fields and to explore for new ones. At the same time, the hopes of the oil-less emirates have been raised as their real or hoped-for small fields become more of an economic proposition.

The UAE is far from being one country on oil policy. The role of the Ministry of Petroleum, headed by Dr. Manaa Said Oteiba, apart from gathering such federal statistics as are available, is largely to promote Abu Dhabi's position within OPEC. Here, Abu Dhabi, as the strongest voice within thet UAE, remains close to Saudi Arabia and continually attempts to work out co-ordinated positions.

This is still the case, although the UAE raised its price for 39 degrees API Murban crude first to $29.60 from January 1, then to $31.65 per barrel, backdated to May 1, after Saudi Arabia had twice raised its benchmark crude prices by $2 in an attempt to align its own prices with those of the UAE and other countries.

In contrast, Dubai sells up to half its output on the spot market, pushing to maximise its earnings. The Petroleum Ministry insists that they "don't want *Saudi Arabia to be isolated.*" But the UAE's dilemma—between close ties to Saudi Arabia (itself a weakened force within OPEC) and self-interest—has been illustrated by the response to Iran's reduced production.

On April 22, Dr. Oteiba said the UAE would be willing to help West Germany and Japan make up shortfalls in supply resulting from political upheavals in Iran, provided that the move was "within the rules of OPEC." But OPEC, at an extraordinary ministerial meeting next month in Taif, Saudi Arabia, decided not to make up this shortfall.

Increase possible

Abu Dhabi provides 80 per cent of the UAE's oil production. And once the Upper Zakum field is fully developed, it will be capable of considerably increasing its output in the long term, although production levels have dropped slightly, since 1976 when they totalled 1,586,041 b/d.

Total UAE production currently ranks the emirates eighth or ninth producer in the OPEC producer's league, depending on how much revolution-wracked Iran is really producing. Last year Abu Dhabi produced 1,463,500 b/d (864,000 b/d onshore from the Bu Hasa Sahil, Bab, and Asab fields, and 599,500 b/d offshore —chiefly from Umm Shaif and Zakum). Official statistics put production during the first quarter of this year at 1,365,700 b/d, of which all but 2,100 b/d were exported. The main importers were Japan, France, the U.S., West Germany and Holland.

Terry Kirk

The Fateh Field, centre of Dubai's offshore oil operations

The fall in production is largely attributable to the instructions from the Abu Dhabi National Oil Company (ADNOC), which has a 60 per cent equity participation in most oil operations, to reduce the level by 110,000 b/d for this year. This is to come entirely off onshore operations.

At the same time, Abu Dhabi has given signs that it wants to move away from its traditional clients towards Government-to-Government deals, independents and developing countries. This has hit the main concessionaires—BP, CFP, Shell and Mobil.

At the heart of Abu Dhabi's operations are its relations with the oil companies. Dr. Mahmoud Hamra Krouha, the chief executive of ADNOC, accuses both the companies mainly in charge of operations of "malpractice."

The companies are the Abu Dhabi Marine Areas Operating Company (ADMA-OPCO) [ADNOC 60 per cent, BP 14.7 per cent, CFP 13.3 per cent, and Japan Oil Development, JODCO, 12 per cent]; and the Abu Dhabi Company for Onshore Petroleum Operations (ADCO) [ADNOC 60 per cent, Shell, CFP, BP, the Near East Development Corporation, made up of Exxon and Mobil, each with 9.5 per cent, Partex 2 per cent, and some shareholders from ADCO].

Strong denials

Dr. Krouha maintains that the oil companies have not taken a long-term look at Abu Dhabi's reserves and long-term prospects. The companies, it is argued, have made minimal investments while maximising productivity levels. The companies, in turn, have strongly denied accusations that they have done "irreversible damage to the reservoirs."

They argue that the development of the fields depends more on philosophy than on technical approaches. In the latter case, the argument runs that secondary recovery techniques are both costly and not necessarily economically viable if installed too early.

Dr. Krouha maintains that ADNOC "has now taken the steps to impose on its partners production levels in accordance with the long-term interests of the oil fields."

Offshore, the main concentration is on the Umm Shaif and Lower Zakum fields. In 1979, Umm Shaif was producing an average 249,775 b/d, and Lower Zakum 240,804 b/d.

A new field has been discovered and put on stream since October—the Arzna field. It is operated by a group headed by Amerada Hess (41.25 per cent holding), with Pan Ocean (31.50 per cent), Canadian Superior (10 per cent), Syracuse Oil (7.5 per cent), *Wington Enterprises* (4.75 per cent), and Bow Valley and Kerr McGee (both 2.5 per cent). Initial production levels were about 25,000 b/d but they have since fallen to half that.

With JODCO and CFP, ADNOC have formed the Zakum Development Company (ZADCO), to which Abu Dhabi's long-term production hopes are pinned. (The equity distribution is JODCO 12 per cent, ADNOC 88 per cent. CFP are involved without having to *provide equity.*)

This company will develop the Upper Zakum field at a cost of about $4bn. Its reserves have been calculated at between 40bn and 60bn barrels, of which about 10bn is recoverable through present techniques. Production is expected to start in 1981 and scheduled to reach 500,000 b/d after five years. A further rise to 800,000 b/d is planned but will need the assistance of a sizeable water injection scheme. An oil terminal is to be built at Zirku Island as part of the project.

Under an agreement signed in October, 1977, the ADNOC-JODCO joint venture has been developing Umm al-Dalkh field, one of ADMA - OPCO's relinquishments. This is still at the appraisal stage.

Other fields being developed offshore are the Mubarraz, Abu al-Bukoush and Bunduq fields. The Mubarraz, a marginal field in which the Government declined to invest, is run by Abu Dhabi (Japan) Oil Company (ADOC) and is currently producing between 22,000 and 23,000 b/d.

The Abu al-Bukhoush field, where production is running at about 70,000 b/d, is operated by Total Abu al-Bukoush (CFP 51 per cent, Nepco 24.5 per cent, Amerada Hess 12.25 per cent and Kerr McGee 12.25 per cent).

The third field, Bunduq, is operated by the Bunduq Oil Company (owned equally by United Petroleum Development of Japan, BP and CFP). It has been hit by production problems this year and was shut down at 7,000 b/d because of problems of reservoir pressure in July, 1979.

Since then it has resumed production at 5,000 b/d. An agreement has been reached on a $230m project aimed at raising production to 25,000 b/d by the end of 1982. The field crosses the common offshore border with Qatar and is shared on a 50:50 basis.

Agreement was also reached in March between ADNOC and JODCO on a joint exploration programme in the Satah offshore field, where oil deposits of about 1bn barrels are estimated to be present. The same partnership is undertaking the development of the offshore Dalma and Jarnain fields. The total cost is estimated at $750m (of which JODCO will provide 12 per cent but also have guaranteed access of 50 per cent of the output which, *from all three fields,* could reach 40,000 b/d eventually.

In 1979 all but 0.9 per cent of onshore production was exported. 37.7 per cent came from Asab, 53.6 per cent from Bu Hasa, 5.8 per cent from Bab, and 2.9 per cent from Sahil.

This year, production has been down 80,000 b/d in Bu Hasa and 30,000 b/d in Asab. According to ADNOC, the reason is partly that water injection has been insufficient to balance *oil withdrawal* rates, and partly that many wells have been overproducing. Corrective schemes were approved in 1979, and by mid-1982 both could be fully restored. The delay has apparently been due to the slowness of ADNOC and its shareholders in agreeing a programme, and also because of a temporary shortage in availability of rigs.

But by the end of this year, ADNOC hopes to have five rigs working full time on Bu Hasa. Thus after several years' discussion, it appears that a strategy has emerged for delineation of the fields. This will establish more clearly what Abu Dhabi's reserves are and at the same time make possible a more selective water injection programme, which could cost $1bn over the next five years.

The testing question thereafter will be to decide whether to raise installed production capacity beyond 1m b/d onshore, or whether to continue to produce at current or even lower levels, knowing that the liquid assets in the ground are not only growing in volume but also value.

Kept steady

Dubai's oil production is currently being held steady at between 350,000 and 360,000 b/d, having risen from 34,236 b/d in 1969. According to Dubai Government estimates last year this could slip below the 300,000 b/d mark in 1982-83 unless new finds are made. Proven recoverable reserves were estimated at the end of 1978 at 1.4bn barrels. Earnings this year are put at between $2.5bn and $3bn.

Because oil income is much higher, the moment may be *coming when Dubai revises its* production policies. Hitherto, it has pushed its production to the technically desirable maximum, seemingly with little thought for conservation. All Government officials will say on the subject is that they intend to maintain "wise" levels, bearing in mind the needs of future generations. The emirate needs produce only 100,000 b/d, from a currently installed capacity of about 400,000 b/d, to cover its bills.

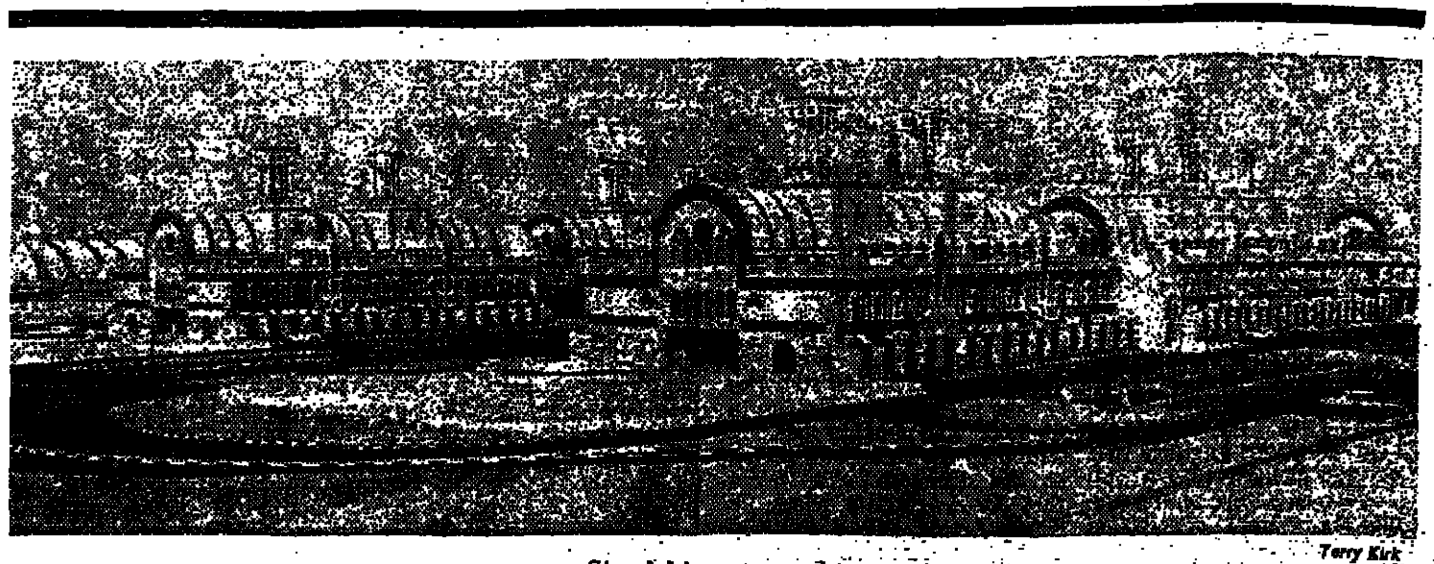
Production comes from the offshore fields, mainly Fateh and South-west Fateh. This averages respectively 171,000 b/d and 195,000 b/d, with a further 15,000 b/d coming from two smaller structures—Falah and Rashid.

The problem of declining oil production is more acute in Sharjah. It reached a peak of 38,000 b/d in 1975, but last year was down to 13,500 b/d, from the Mubarak offshore field, developed by Crescent Petroleum. On occasions it has been lower by another 2,000 b/d. (Crescent comprises Buttes Gas and Oil 25.7 per cent, Ashland and Skelly 25 per cent each, Kerr McGee 12.5 per cent, Cities Services 10 per cent and Juniper Petroleum Company 1.8 per cent.)

In addition, London and Scottish Marine Oil and Forman Exploration of New Orleans spudded a well last October 20 miles offshore from Hamriya in their shared 106,500 acre concession, and found some gas deposits.

In the smaller emirates, hope tends to outstrip reality. Ras al Khaimah would, for example, be economically transformed by a commercially-viable oil find. *Gulf Oil began drilling onshore* in May at the cost of 20m dirhams ($5.4m). It has another concession offshore, as does Gulfstream Resources of Canada.

But there is nothing to suggest a discovery of anything like the size which would help to solve its economic problems. Tests conducted in 1977 by a consortium, dominated 50 per cent by the ruler and 17.5 per cent by Deminex have turned out to be well beyond assessments that they could be commercially productive.



Sharjah's new souk — Terry Kirk

Tourism must play a growing role in Sharjah's economy

OF ALL the emirates, Sharjah is perhaps the most pleasant and liberal. It was not economics alone that dictated the decisions of two of the UAE's most outspoken magazines and newspapers to establish their base in Sharjah, for here they can be relatively free from the heavy hands of sheikhs and their often parochial interests. That liberal atmosphere is largely the work of its ruler. Sheikh Sultan, who is known for his more modern interpretation of the role of ruling sheikhs, and for his loyalty to the federation.

Sharjah is also the cheapest major town in the UAE to live in, and its low rents have attracted not only the smaller companies, the single status employee, but also a number of multi-nationals have chosen to make Sharjah their Middle East base.

Sharjah is liberal in its entertainment laws, and offers a string of hotels, nightclubs and discotheques, which have proved popular to Dubai residents as well as having encouraged a profitable weekend trade from Abu Dhabi. Tourism has to be made a viable alternative, if only to fill up the hundreds of empty hotel rooms in the emirate, but also because its other major source of income, oil, is rapidly declining.

Oil production by its concessionaire, the Crescent Petroleum consortium, has been steadily going down in the last four years from a level which was once 30,000 b/d, to a level which is presently fluctuating between 15,000 b/d and as little as 11,000 b/d. These figures are unofficial, for Sharjah remains remarkably quiet over its oil production, and does not even inform the central monetary authority of current output levels, a secrecy which angers many local bankers.

Even these meagre oil revenues have in theory to be shared, for under some old agreements, Sharjah is obliged to pay half of its oil receipts to Iran, and 30 per cent of the remainder to neighbouring Umm al Quiwain. However, it is not known whether any oil revenues have actually been handed over to Iran, and the local government is not forthcoming on this point.

No confirmation

Exploration is continuing in an effort to find new discoveries of either oil or gas to offset the declining levels of production. Foreman Exploration of New Orleans, together with the London-Scottish Marine Oil of UK, are currently drilling for gas in two zones offshore from the town, though commercial finds of either resource have yet to be officially confirmed.

Oil is not the principal source of revenue for Sharjah, but the Federal Government is. In the past, much of the money has come from Abu Dhabi in the form of direct grants estimated to be over $100m a year, though in the last year Abu Dhabi has preferred merely to guarantee Eurodollar loans Sharjah has secured from the international market.

Two major loans have been undertaken in this way, one two years ago from the consortium bank, BAII for $200m and another this year for $55m lead managed by the National Bank of Abu Dhabi, and guaranteed by Sheikh Khalifa, the crown prince of Abu Dhabi. The spread of the last loan was five eighths per cent over the London Interbank rate, the lowest so far.

These two major loans from the international market were for general purposes, for Sharjah has got into the uncomfortable situation of having to borrow more money to reschedule its debts. Apart from these two Abu Dhabi-guaranteed loans, there has been a number of others for smaller amounts for specific projects such as the new Sharjah souk, and others from U.S. and British merchant banks for general purposes. According to Currency Board statistics, credit for the government sector amounts to some 38 per cent of the total, and last September stood at $340m. The total indebtedness of the local government is now estimated at about $815m, compared with a previous level last year of around $1bn.

Those hardest hit by Sharjah's need to borrow are perhaps the contractors operating there, who, having performed work for the emirate's government, have yet to be paid. Some, including some major British names, have been awaiting payment for nearly two years, and the loss of interest alone has been enormous. However, Sharjah is making a serious attempt to pay off these long standing debts to contractors, and the money is trickling through to them in regular, though small, payments.

Cutbacks

In the meantime, a number of infrastructural projects have been cut back. A scheme to dredge the lagoon has been delayed, as has the second phase of sewerage network expansion.

Sharjah Government's financial situation will be considerably eased when the negotiations are finished concerning the Federal Government's takeover of the electrcity department and its installations. Sharjah is reportedly looking for $271m compensation, and such a sum would prove extremely useful in oiling the wheels of the economy. Already, the fuel bills for local electricity have been taken over by the Central Government, thereby easing a $108m annual loan on the Government. The ruler, Sheikh Sultan, is also presently engaged in selling off large amounts of land, though local bankers see this merely as a continuation of an old policy of land distribution, rather than being designed to ease the Government's financial position.

The shopkeepers in Sharjah souk are now being offered the right to buy up their shops at prices varying between $36,000 to $54,000 for prime ground floor positions. Many are finding that because of the small nature of their businesses, such prices are high, but it is hoped that the receipts from this sale would amount to $10m, and the loan from Grindlays Bank, which financed the souk's construction, would thus be paid off.

The same policy is likely to be followed with the Boorj Avenue project—designed as a financial centre—which until now was the symbol of Sharjah's disaster in the property market. Some 17 buildings now lie nearly complete, and as yet unlet, and also unpaid for. The ruler is now attempting to sell some of these blocks to local and Gulf companies, which, if successful, could considerably ease the domestic debts to local banks. The ruler is selling the blocks at cost price to include the land, which may prove an attractive long term proposition for some local investors.

All these measures should considerably improve the government's situation in the next year. Local bankers are not relying on the projected Real Estate Bank to bail them out of the outstanding property loans on their books which account for 22 per cent of all bank credit in Sharjah. The majority of these Sharjah blocks are owned by Abu Dhabi merchants, Dubayans and other Arab and Gulf nationalities. The latter, because they are foreigners, presumably will not benefit from the schemes. However, deposits have continued to show steady growth from a September 1978 level of $283m to $327m a year later. Time deposits during the same period went from $79m to $111m and from over 50 per cent of the total deposit base.

Part of this is due to the deposits of the offshore companies which have proliferated in Sharjah. Among these is the Gulf Medical Company which is planning to open a hospital in the emirate which will run on a private basis and be managed by a U.S. company.

With these offshore companies in mind, Sharjah is still going ahead with its plans for a stock exchange which will be located in the Boorj Avenue and advised by Lazards. Local officials believe that over 100 publicly-owned UAE and offshore companies could be quoted on the exchange, and present thinking is that the exchange will be opened to all citizens in the Gulf.

Sharjah's ports and airports continue to edge their way to success in the face of severe competition from other emirates. Port Khalid in Sharjah town handled over 3.1m freight tons last year compared with 2m tons the year before, though a large part of this increase can be accounted for by the petroleum imports which have gone up since the storage tank farm came into operation.

Excluding the oil imports, traffic had gone up by 17 per cent, 15 per cent of which was for re-export. Container throughput was slightly down from 54,614 to 50,836 TEUs. The port's public user cold store has also proved highly successful and now Port Khalid is handling 70 per cent of all refrigerated cargo coming into the UAE.

The port's tariffs have had to be adjusted in the face of competition from the Dubai ports, particularly Jebel Ali, and now Sharjah ranks the cheapest in the UAE.

New business

The Sharjah Port Authority, an offshoot of the U.S. container line, Seatrain, had decided to search for new business from outside the UAE rather than to attempt to poach existing customers from other ports in the country.

The authority is also casting a covetous eye on Iraq traffic, for Iraq's ports continue to suffer congestion and their falicities in Kuwait are stretched to the limit.

Sharjah Airport is still awaiting an airline to break the IATA fare barrier so that cheap flights and tourism can really take off in Sharjah.

Sharjah wants to be the Luton Airport of the Gulf, stimulating inward and outward tourism.

In the meantime, passenger traffic continued its upward trend and jumped 18 per cent last year to reach a year-end total of 111,509. Freight traffic really picked up and more than doubled from 6,472 kgs to 13,404 kgs. However, this beautiful little airport is still only handling an average of 12 flights a day.

Kathleen Bishtawi

Downtown Sharjah—paying its debts and picking up slowly

Oil makes Abu Dhabi's citizens the richest on earth

IF YOU divide the income of the sheikhdom of Abu Dhabi by the estimated number of local citizens, then the Abu Dhabians are likely to be the richest people on earth.

Abu Dhabi is truly the city which oil built, for unlike Dubai, it was not an established trading post before, and its ruling family, the al-Nahayan, trace their origins rather to the inland oasis of Al Ain in Buraimi. Sheikh Zayed, the Abu Dhabi ruler and president of the UAE, still goes there at every opportunity.

Naturally, as president of the UAE, he also has to entertain an endless flow of foreign visitors ranging from Euopean heads of state trying to sell their latest military hardware to the prime minister of some unpronouncable republic who comes to Abu Dhabi hoping for aid. In recent years, as Abu Dhabi has emerged as a growing oil state and generous aid giver, it has been inundated with foreign dignatories, and now the Crown Prince, Sheikh Khalifa is slowly but perceptibly taking over the day-to-day rule of the emirate.

It is Abu Dhabi's money that provides the soothing balm to the federation's problems and preserves its unity. To grasp fully Abu Dhabi's role in the UAE, it is necessary to illustrate the extent to which it underpins the federation's economy. Abu Dhabi's merchants may not be as sophisticated as those of Dubai, it has fewer banks and Abu Dhabi is clearly not as established a city as Dubai.

But the figures speak for themselves. In 1979 the UAE produced 1,831,200 b/d of oil, of which Abu Dhabi supplied 1,463,128 b/d, or 79.9 per cent. During the first quarter of this year, oil production averaged, according to official statistics 1,365,156 b/d, the main importers being Japan, France, the US, West Germany and Holland.

Thus oil receipts for Abu Dhabi have risen from 23.56bn dirhams ($6.4bn) in 1974 to provisional figures of 42.25bn dirhams ($11.4bn). These are oil exports at current dollar rates. Income for this year for Abu Dhabi is not expected to be below $15bn out of the UAE's possible total of $20bn. (Sheikh Zayed's own privy purse is estimated at around 4 per cent of Abu Dhabi's oil receipts.)

Income from investments handled by the Abu Dhabi Investment Authority are conservatively estimated to be around $1bn by local bankers, and will in view of the growing surpluses (estimated very conservatively this year at $5bn), form a greater part of revenue in future. Abu Dhabi's investments are spread thinly, but literally around the globe.

Considerable amounts of the growing income are ploughed into the Federal Government, whose revenues are tactfully described as "Emirates Contributions" and "Other Revenues." But it is not secret that hitherto the former has been almost exclusively Abu Dhabi's burden. The federal budget for the current year totals 16bn dirhams ($4.34bn) of which Abu Dhabi, in its normal fashion, is believed to have chipped in about 98 per cent.

Pledged

Although the two rulers, Sheikh Zayed and Sheikh Rashid, have both pledged to place 50 per cent of their incomes into the Federal kitty, only Abu Dhabi is doing this at the moment. Each month, half its receipts are lodged in the Ministry of Finance, whereas Dubai appears to be awaiting some settlement over the Central Bank issue before putting its full contribution in.

At the same time Abu Dhabi undertakes a number of additional finances which in truth should be Federal. Among them are: $400m as aid to the countries and organisations opposed to the Egypt-Israel Camp David agreement under the terms of the Baghdad summit; $1bn in aid to both Arab and developing countries; contributions to the Opec Special Fund, and the bulk of the Federal defence bill.

In addition, Abu Dhabi has its own budget separate from that of the federation. The development budget has risen over the years from 3.47bn dirhams ($0.9bn) in 1976 to 7.45bn dirhams ($2bn) this year, of which local officials believe some 80 per cent will actually be spent. Current expenditure this year is earmarked at 2.76bn dirhams ($750m).

On top of this, the emirate's finance department is heavily involved in alleviating the plight of Abu Dhabi investors who plunged into the real estate market with guarantees backed by the Crown Prince.

Despite its enormous wealth and high levels of expenditure, Abu Dhabi still only accounts for 38 per cent of all bank credit compared with Dubai's 62 per cent. The share of property in that portfolio had gone down slightly from 51 per cent in 1978 to 46 per cent last September, which was mainly due to the fact that apartment owners were recouping part of their investments with the decision of the local government to offer housing rather than allowances to its employees.

In contrast, trade only accounted for 28 per cent, while imports have gone up by 19 per cent last year to a level of 7.75bn dirhams.

On the deposit side, Abu Dhabi has gone over the 50 per cent mark of total deposits, accounting for 50.3 per cent compared with Dubai's 49.7 per cent in November last, though this was still down on a level recorded in December 1978 of 51.3 per cent.

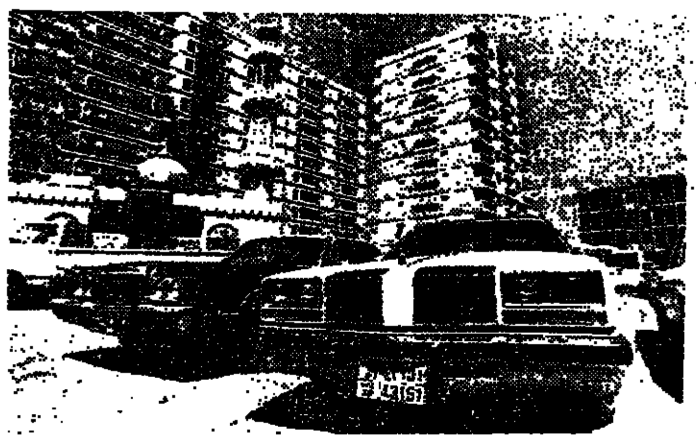
Over the past few years, Abu Dhabi has built up some important financial institutions among which is the National Bank of Abu Dhabi, which is the UAE's largest.

At the heart of Abu Dhabi's long term planning is the Abu Dhabi National Oil Company (ADNOC) whose operations stretch way beyond its title and involve partnership in anything from local oil and gas operations to the Sumed Suez Alexandria pipeline and a refinery in Pakistan.

Its main concern is the development of the industrial zone of Ruweis fho whose plan Arthur D. Little were the consultants. This could involve the investment of $20bn over the next 10 to 12 years.

The result is that what was once a mere village among the salt flats 235 km west from Abu Dhabi is to become an industrial city, which ADNOC believe will have as many as 50,000 inhabitants by the end of the century.

A. McD.



Terry Kirk

New buildings and big cars show the wealth of Abu Dhabi

Burden of debts eases as projects near completion

IT IS impossible to talk about Duba without talking about the man who runs it. Of all the rulers in the Arabian Gulf, Sheik Rashid of Dubai is perhaps the most colourful. A man of indeterminate age (estimates vary from his early 60s to mid-70s), he is a Rulr of the old style who believes in the firm hand of sheikdom. He is fabulously rich et content to live and work n humble surroundings, prefering to spend his weekends with the bedu and his veekeys sipping coffee and swoping jokes with his merchant cronies. Yet this outward modest man is a brilliant entreeneur, capable of outwittig and outdealing the wile of Western businessmen.

Y while his sheikhdom has an iminium smelter, a Hilton hot and a 40-storey trade cen, his political style, say his opponents, belongs to anoer age. Dubai Governmet income and Sheikh Ras's is synonymous, and no onenot even his numerous bans, knows exactly just how muthat is.

Ihe year since he became Prir Minister of the UAE thisdividualistic sheikh has had personify the federation, atteng Cabinet meetings eveMonday and entertaining an idless flow of foreign digiries. It is not a post he inity relished or sought, but hav taken it on has seen the bens of the extra power he nowelds.

U this year Sheikh Ras's contribution to the fed government coffers was mer "symbolic," say local finaers euphemistically, but thisar he has pledged to pay in per cent of Dubai's oil inc. Again, no one knows howuch that will come to, whr he means 50 per cent of eacarrel of oil at the official OPI prices or what he is reagetting for his oil. Last yeaubai dealt heavily in the spoarket.

T year his contributions havanged from "symbolic" to ubstantial," though as usue still prefers to pay for hisny, police, medical servic television station and electricity. That way, he reasons, Dubai remains his sheikhdom, not merely a federal appendage.

This year Dubai's own expenditures will be at their lowest for many years; a sign that most of the major development projects are over or near completion. Both Jebel Ali port and the aluminium smelter are in the tail-end phases of construction, and the dry dock lies finished and embarrassingly empty. With such projects completed, local officials believe that capital expenditure may be as little as $320m and current outgoings around $270m, both of which are considerably below the levels of 1978 and 1979. Income from oil on the other hand will be around $2.5bn to $3bn, and the debt-servicing picture looks far brighter than last year, the peak repayment year.

Nearing maturity

Nearly $2.7bn has been borrowed by Sheikh Rashid from the international market in the form of Eurodollar syndicated loans and government credits to finance his major town and industrial projects, and repayments this year are expected to be around $500m. Most of the loans are nearing maturity, however.

Even with the 50 per cent contribution to the federal coffers, Sheikh Rashid can be expected to be in a comfortable position this year. Little progress appears to have been made on the handing over of his government departments to the federal government, and extensive haggling is likely to accompany any negotiations.

The most important sector is electricity, expenditure on which is the largest single item in the Dubai budget, and it is thought that Sheikh Rashid may subtract whatever his outgoings are on this from his contribution to the federal government.

The hunt for oil and gas is now on in earnest. Not only does Dubai need new discoveries to offset depletion in its older oilfields, but its need for gas is immediate. By January 1981 the aluminium smelter is projected to be in full production, and it has yet to secure a stable source of the dry gas it needs. The Dubal plant, which is being commissioned at the moment, is already taking gas from the Dugas plant which came into operation last April.

Output of this gas will naturally depend on oil production rates, and to ensure a more secure long-term supply, Dubai has looked to Abu Dhabi for help. The federal Petroleum Ministry, however, has yet to identify a possible field from which to supply Dubal, and lately it appears as if the proposed pipeline linking the plant to Abu Dhabi has become enmeshed in a project by Abu Dhabi to construct a massive power and water plant on the border between the two emirates.

According to Abu Dhabi officials, the pipeline will provide gas to the power plant, projected to be a 2,000 MW station, and will then continue to Jebel Ali where it can be used by local industry. Details have yet to be settled, however, as to who is going to pay for the pipeline and whether the gas is to be provided at cost or totally free.

Dubai officials believe they will have enough gas from Dugas to go on for two years or so from the start of full production, but that after that the energy question will become crucial.

Big question marks also surround the future of Sheikh Rashid's other large industrial project—the dry dock. It is some 15 months since Queen Elizabeth cut the ribbon on the dock, and until now no operator has been named.

Dubai officials say they are hoping that by July this year an operator—most likely Britain's C. H. Bailey—will be named.

Yet to talk of Dubai is not to talk of aluminium smelters and oil, but of trade. This has always been the prime source of livelihood for the town and will be when the oil runs out. Dubai may be a town of only 300,000 people, but each month it imports over $8m of cigarettes, over $7m of domestic appliances, and nearly $8m of watches. Whether it is H-16 rifles or tinned pineapples you are looking for, Dubai can supply—and supply it does, not only to neighbouring Abu Dhabi but to Pakistan, India and Iran.

Dubai is proving a lucrative loophole for Japanese and Western companies alike and local traders do not care where the goods go. Many are totally reliant on the re-export trade for up to 70 per cent of their sales. As one electronics and watches dealer put it "Recession? What recession in the emirates? We never felt it."

Kathleen Bishtawi

Oil is the key as industry struggles against the odds

INDUSTRY IN the UAE is one of Abu Dhabi's big debates. On one side is the faction which urges the country to diversify its income away from oil, and on the other a group which points with wide-eyed concern to the implications such strategy would have on the population and its structure. So crucial is the last question, some say, that even the projects promoted as being capital rather than labour-intensive are coming under scrutiny.

For a State such as the UAE there are options. Abu Dhabi's reserves are going to last for 50 to 60 years, and "nationalising" the oil industry is alone going to absorb their total educated manpower. Why not, some ask, invest the surpluses profitably in the West or Arab countries, and become a rentier State? That way, it might be possible, they argue, to raise the ratio of nationals to non-nationals to a healthier level. Large-scale industrial projects are also at the mercy of world market forces, which present a hazardous base at the best of times.

Radical rethink

Indeed, in the last two years Abu Dhabi has already done some radical rethinking about the benefits of industrialisation, and plans for its industrial city, Ruweis, have been considerably scaled down since, the time the management consultants, Arthur D. Little, estimated that the population of the city could be as much as 80,000, and the UAE total as high as 3m by 1990. That gave a considerable jolt to local planners, particularly after the ratio of foreigners to locals was worked out.

At the moment industry has little relevance to the vast majority of nationals. Dubal, the largest industrial project in Dubai, employs only one national out of a total labour force of 1,000. Though its officials speak of training courses in the future, their top priority, they hasten to add, is to make money for the emirate, and recruitment policy will be based on the most cost-effective manpower available. Similarly, Ruweis will be largely run by foreigners.

On the surface UAE industries face enormous disadvantages. The market is tiny, all raw materials have to be imported, labour costs are high and there is a shortage of skilled manpower. In order to encourage any industry, the Government has to offer cheap subsidised electricity and water, and cheap or free land. It is even dangling the possibility of 30 per cent tariffs to protect local industrial ventures.

It does have one big advantage, however, over the industrialised countries—its vast resources of energy. Debate rages as to the use of this depletable capital, which if kept in the ground goes up anyway in value. Abu Dhabi now needs an oil production rate of 300,000 barrels-a-day (b/d) to pay its bills, and it may prove better policy to keep oil in the ground for future generations than to push up production so as to sustain local industry and the power needs of a large population.

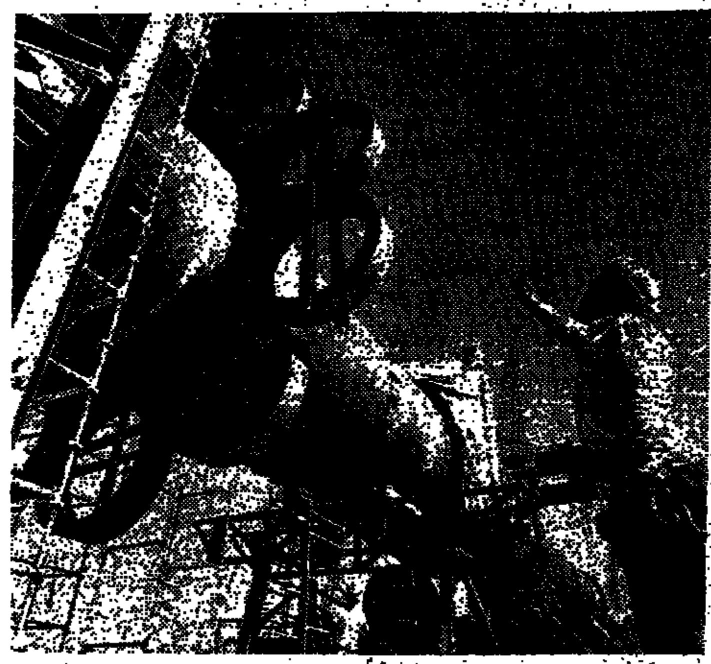
So far ADNOC's projects are those designed to utilise gas once wastefully flared, including a refinery to produce various fuels much needed in the domestic market. The NGL plant under construction at a cost of \$2bn will produce 1.2m tonnes a year of butanes, 1.4m tonnes of propane and 2.1m tonnes of gasolines. The refinery is scheduled to produce 120,000 b/d, which would represent six per cent of UAE's total, with provision for doubled capacity later. It is likely to supply the northern emirates with the fuels they need, and reduce their reliance—much resented locally—on the foreign oil companies.

ADNOC has also recently given the go-ahead on a fertiliser plant to produce 1,000 tonnes of ammonia and 1,500 tonnes of urea daily, with provision again for capacity to be doubled if needed. Discussions are under way with Japanese and French companies about a possible joint venture. Projects under study include an LNG plant, a petrochemicals industry and a possible sponge iron plant. ADNOC appears, however, to be hesitating over its entry into the petrochemicals field, preferring to keep an eye on the plans and experience of its neighbours and the prospects for world demand. Part of the debate is believed to concern how to price the energy input — whether to assess it at cost price or at more realistic rates.

That, at the moment, is the size and scope of the industrial city. The associated facilities will include a bulk cargo terminal, a power station of two 45 MW generating units and a desalination plant of 20,000 cu metre capacity. The airport is being upgraded to handle medium-sized jets and some 1,000 houses are under construction, with another 1,000 under study.

Apart from the oil and gas-based industries, Abu Dhabi views other possible industrial ventures with an eye towards export substitution. So small is the UAE market, however, that most projects are also looking to regional exports for part of their sales, and in this the UAE is hampered by the lack of co-ordination between the Gulf countries, and more tragically, by the duplication that has occurred within the UAE itself.

The General Industry Corporation (GIC), which is the Abu Dhabi Government's instrument controlling its non-oil-based industries, has some dozen projects under way, but nearly all already duplicate ventures by other emirate governments or the private sector. In one sector — cement production — Abu Dhabi's factories at Al Ain, which are undergoing expansion, will eventually end up competing against cement plants owned by local governments in Dubai, Sharjah and Fujeirah.



Constructive efforts at Dubai cement works

The UAE is also very vulnerable to the fluctuation in the price of raw materials, this was highlighted when GIC was forced to close down its steel rolling mill three months ago. The increasing price of steel billets from India, its supplier, made the plant uneconomic. GIC's paper bag factory has also suffered from private sector competition from Sharjah, and its brick factory was hampered by the small size of the UAE market. The concrete block plant and the compost factory are also facing stiff private sector competition, and the proposed lime factory will also duplicate a similar establishment in Ras al Khaimah. An animal fed plant now under construction is the only industry not already existing in the UAE.

In the face of such duplication, which ends up hurting everyone, GIC's officials say that the profit motive is not the only one which determines its choice of industry. Mr. Hamad el Mansouri, GIC's director, says that the Abu Dhabi Government tends to view these industries as a public service facility, producing necessities which are currently imported.

Dubal, the emirate's aluminium smelter, is still waiting to have its long-term gas supplies sorted out. Company officials say there will be enough for the next two yars or so from Dugas, the emirate's LNG plant, but after that question mark will arise over future levels of oil production, for Dubai's output is destined to go down in 1981/2. A pipeline from Abu Dhabi would take at least two years to design and build, and so far no decision has been taken as to which field will supply Dubai with its necessary gas. A Ruweis/Dubai pipeline would have to stretch over 360 kms. Dubai officials concede that the starting date for full production, January next, may have to be delayed.

The smlter is already in the aluminium business, and one of its first contracts for 1,000 ingots was to a Dubai merchant, who characteristically resold them to Iran. The offtake agreements have been renegotiated and all sales will now be handled by the Gulf Resources Corporation, the shareholders of which have yet to be made public. It is likely, however, that the company will opt to play the free market. Dubal cancelled its long-term supply contracts earlier this year.

Dubal is also in the process of absorbing the remaining 20 per cent foreign ownership held by Alusmelter Holdings. When this has been done, it is likely that the Dubai Government will inject substantial capital, so as not to burden the young industry with the responsibility of paying off the Eurodollar loans which financed it in the first place.

Free zone

Dubai's private sector has been most active in light industry, and a wide range of products ranging from fabricated steel to soft drinks is now being exported. The emirate is also hoping to stimulate interest from new industries when the free zone at Jebel Ali is widened to cover several kilometres, as is planned over the next two years. But all of the private sector concerns which have gone into light industry concede that without the power subsidies and cheap land offered by local governments, profitability would have a very different complexion.

Sharjah, with its low rents, has also been most sucessful in attracting light industry, and its most recent newcomer is the prestigious American Dow Chemical group. Ajman is still continuing to prove that small is beautiful, and has a number of ventures in fields ranging from ship-repairing to tile factories. Ras Al Khaimah's cement plant is a success but its lime factory has continued to face difficulties, most of which stem from the heavy interest payments on the loans which financed the plant in the first place. Private money from Kuwait has been influential in getting some light industrial ventures off the ground in Ras al Khaimah, but the emirate has had more success in agricultural production.

F.B.

Banks: waiting for Godot

DELIBERATIONS OVER the founding of a central bank in the UAE have long since come to resemble Waiting for Godot, that celebrated modern drama in which the title character never actually appears.

Through the years of its non-appearance, the UAE's central bank has consistently prompted more discussion than any other feature of the emirates' banking sector.

This speculation about a central bank and the role of the present central authority, the Currency Board, is partly concerned with the political implications. But the continuing fascination with a central bank betrays too a deep-seated frustration with the Dirham banking system.

Above all, there is frustration over the paradox that in one of the world's richest states, the banks find themselves having to borrow dollars abroad to help fund their domestic lending.

Whatever the sign over its front door, a central authority with sufficient Government support might conceivably relieve this situation (though not without some difficulty). But most observers of the UAE remain sceptical about the likelihood of either the Currency Board or a Central Bank receiving such support in the near future.

Without it, and without the power in particular to take reserve deposits from the commercial banks, the Currency Board has been unable to monitor effectively the supply of dirhams in the system.

There has been a real check upon the inclinon of UAE citizens to exchan many of their dirhams for reign currencies rather tha hold them on deposit in thoanks. It is this which has duced the chronic net forei currency liability: the bar have borrowed dollars abd to supplement their dirha funding. But no attempts combat the problem havearried much conviction.

Restrictions on reign exchange trading remaincon-ceivable in the UAE elsewhere in the Gulf. Burham sales to finance deposits other currencies, and especir the dollar, would be greatleferred by a continuing tat of revaluation for the dirh.

But the very word reation is officially eschewed. Tiny adjustments are madinfrequently. Anything mo it is explained, would red the value of oil exports (exively paid for in dollars).

Similarly, it is objec that allowing dirham rates rise and fall along with dolrates would have undesirab side-effects, clashing with tional attitudes and pushing flation.

The irony here, though that dirham rates in the lower have in fact followelose behind dollar rates—ore result of part-funding dirm loans with borrowed lars. The cited ill-effects it not been much in evidence but neither, unfortunately, he higher rates much dined the vanishing power the

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Northern individualism offset by reliance on federal aid

THE NORTHERN emirates of Ras al Khaimah, Fujeirah, Ajman and Umm al Quwain are in many ways the most unorthodoxly interesting elements of the UAE—even if they are not the most influential.

There is a curious political interplay between these emirates. On the one hand they are individualistic—Ras al Khaimah, *for example, under Sheikh Saqr* bin Mohammed al Qassimi tried to hold out against joining the UAE until February 1972. They all have their longstanding traditional alliances: Ras al Khaimah with Dubai, Ajman with Abu Dhabi, and Umm al Quwain with Dubai.

On the other, there is more realistic talk and sense of federal union than elsewhere in the UAE, inspired not least by increasing awareness of their vulnerability as individual units caused by regional political tensions.

Hotch potch

An additional reason is that they are all joined in comparative poverty and are highly dependent on federal aid for various social services. But herein lies a twist reflecting the role of the individual emirates in federal politics. For until federal budget funding arrangements alter, they are almost wholly in a federal sense dependent on the bounty of Sheikh Zayed, President of the UAE and Ruler of Abu Dhabi.

But it is interesting to record how many projects in the northern emirates Sheikh Rashid has been funding in his capacity of Dubai's ruler and not as the UAE Prime Minister. These poorer emirates naturally welcome this aid, but the competition for political support between the President and Prime Minister is apparent.

There are other features which broadly bring these emirates together. Their economies are approximately similar. They contain the main naturally fertile areas in the UAE. They each have a hotch potch of economic projects, some locally suited, some on a successful regional basis, and others plainly overambitious. Banks abound with a roughly proportionate distribution all round of one branch for every 2,300 people.

In addition, these emirates are the only areas in the UAE where nationals are in a *majority*.

The total current population is about 164,000, ranging between 60,000 in Ras al Khaimah and half that in Umm al Quwain. Furthermore, there are, exceptionally for the UAE, labour shortages of the sort which has caused Fujairah to sponsor foreign workers and provide them with accommodation. In addition the fact of having among them coastlines on both the Gulf itself and the Gulf of Oman, has made them realise their strategic importance.

Their links have been made closer too by the road network. By comparison, the electrical grid is weak prompting the Federal Government to include a 500m dirham ($135m) subsidy this year for power stations in the northern emirates. Water resources, too, are a problem, and the Federal Ministry of Electricity and Water has earmarked 79m dirhams ($21.4m) to increase supplies of drinking water.

All the emirates to varying degrees have over reached themselves and built up debts. *Precise details* of finance are hard to come by, because the line between the income of an individual emirate and that of its ruler is blurred. But Ras al Khaimah has borrowed some $0.5bn, followed far behind by Ajman with debts of $25m, and Fujairah and Umm al Quwain *each owing up to $10m*.

Finally, every emirate lives in the hope that there will be discoveries of oil and gas in commercial quantities. So far, and even with increased prices, these hopes look somewhat forlorn. But were there to be important finds, not only would individual economies be stimulated, but also there would be raised the possibility of restoring some measure of political independence which has inevitably been eroded as a result of receiving substantial Federal funds.

This point is probably taken more firmly in Ras al Khaimah than elsewhere. Of all the four northern emirates, it has as an individual entity the greatest chance of having a self-sustaining viable economy. In 1977 it started drawing down on loans from the UAE Currency Board estimated at 1.1bn dirhams ($300m), buoyed by over-optimistic hopes of oil discoveries, and used the cash for projects which had not been properly assessed.

Half-finished

The number of half finished buildings remain as visible evidence of these miscalculations and of the fact that Ras al Khaimah, like other emirates, was hit by the two years of comparative recession from the middle of 1977. The emirate's liquidity has improved and interest repayments on Euroloans have begun again, although some 1bn dirhams *($265m) is still outstanding*.

The National Bank of Ras al Khaimah has reported a profit of 178,460 dirhams ($47,940) during the March-December 1979 period compared with a loss of 1.38m dirhams ($370,700) over the year ending in March 1979. Nevertheless the annual report said: "Little or no improvement was seen in the (local) economy . . . and conditions remained dull throughout."

The federal authorities provide payment for education, health, and the security forces (now integrated into those of the country as a whole). A major improvement has been the decision by Sheikh Rashid of Dubai, as Prime Minister, that Federal Ministry funds would cover the electricity bills of Sharjah and Ras al Khaimah.

At one stage, the latter was reported to be two years behind in its fuel bills, and has been hampered by having to pay in addition the bills of contractors building new plants. Fuel bills are estimated at 60m dirhams ($161m) *for* electricity this year.

Installed capacity currently is 120 mW at al Naqil diesel power station, but Galila 1, another power station, cannot come on stream because about 150m dirhams ($40m) is still needed to pay the contractors, and another $75m is needed to finish the plant. The civil work on Galila 2, costing about 400m dirhams ($107m) has been completed, but the delivery of the machinery is held up until debts are paid off.

Ras al Khaimah's main industrial projects include: two companies for the production of aggregate (the best in the Gulf), the Ras al Khaimah Rock Company (with capacity of 1m tonnes/year for export to Saudi Arabia, Kuwait, Iraq and Bahrain), and Stebbin Rock, with capacity for 5m tonnes/year.

Cement plants

It has two cement plants. Union Cement Company, the largest cement maker in the UAE, operated by Norcem of Norway, has doubled its production by 1m tonnes/year (its profits fell by half last year to 14m dirhams $3.8m—because of fuel costs), and Gulf Cement Company, which is under construction by UBE of Japan, with Taisei of Japan managing the plant. It is to be finished in August, 1981, with production of 1m tonnes/year for Kuwait.

In addition, a lime factory is now in operation producing 50 tonnes a day of hydrated *lime*.

Since 1979, Arabian Explosives, run with Societe Anonyme d'Explosifs et de Chimiques of France has been producing explosives. Turnover in 1980 is expected to reach 6m dirhams ($1.6m) running at one-quarter of its capacity of 4,000 tonnes a year.

Fujeirah has been perhaps most successful in attracting funds from both the Federal coffers and from Sheikh Rashid. The bulk of its 35,000 population lives and works on the coastline, mainly in agriculture and fishing (output in 1978 totalled 6,795 tonnes), but with *the rest in the oases and mountain valleys*.

Agriculture has been hampered by lack of water, and during the summer a programme of 90 wells will have been completed by the Agriculture Ministry at the cost of 375,000 dirhams ($100,700).

In addition to financing the building of Dibba harbour and another fishing harbour, Sheikh Rashid is also providing the funds for 2,000 houses—at a total cost of 700m dirhams ($188m).

Fujairah also has modest industrial plants: two marble and tile factories, a mineral water *bottling plant, and a shoe* factory which opened in March (a joint venture between the local Behroozian family and J.R. International of Britain), producing 600 pairs of sandals a day.

In the spring of 1981 a cement factory, being built by Voest-Alpine of Austria, is to come into production at the rate of 520,000 tonnes a year. Part of the financing was arranged by the Luxembourg-based International Resources and Finance Bank for a $100m loan, which will cover all but about 30m dirhams of the cost of the factory.

In all, Fujairah plans to spend between 1980 and 1982 120m dirhams ($32m) on agriculture and 800m dirhams *($215m) on industry*.

Ajman, with a population of about 35,000, is a genuine mini-state. The budget of its municipality this year totals 23.4m dirhams ($6.3m), which is in deficit and does not cover projects and social services. This comes from the Federal Government *although Abu Dhabi has* backed an interest-free loan of 50m dirhams ($13.4m), which has been partly used to offset debts of up to $25m. Sheikh Rashid of Dubai is financing the construction of some 100 housing units at the cost of 200m dirhams ($53.7m).

Exceptionally only one third of the population is local, the rest being mainly some 9,000 Indians and Pakistanis, working as shopkeepers and labourers, and between 3,000 and 4,000 non-UAE Arabs.

Pride of place goes to having the largest photographic laboratory for colour film processing in the UAE, followed by Ajma Heavy Industries, which operates with Modek Mitsui of Japan a drydock and shiprepair yard able to take vessels of up to 5,000 tons. It is also developing the wharfage and the creek through dredging at a cost of between 40m and 50m dirhams *(about $12m)*.

Light industry

A mattress company (51 per cent Ajman Government and 49 per cent Silent Night of Britain) has started operations with 20,000 units a year, and by the end of the year, a new vegetable market will have been finished at the cost of 10m dirhams ($2.7m).

Ajman has also some other light industrial enterprises ranging from the production of prefabricated housing, to steel wire and to fish processing.

Perched on a spit between Ajman and Ras al Khaimah, Umm al Quwain appears to have been largely passed by in the speedy race for development of elsewhere. Its whole territory is a mere 300 square miles, and its population must be smaller than the 30,000 claimed by municipality officials.

Nevertheless, it boasts a TV and radio station which puts out a daily printed news bulletin incongruously almost entirely devoted to international rather than UAE news.

It once had hopes from oil and gas which would have been used by Dubai, but explorations have yet to be proved commercially viable. *Meanwhile, it* receives 30 per cent of Sharjah's oil revenue from Abu Musa.

However, it boasts an abestos factory, producing at full capacity 20,000 tons of piping a day and in 1978 a chicken farm opened at Falaj Mo'alla, producing from its 200,000 birds *meat and eggs* for Dubai.

A. McD.

Banking

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dirham.

Regulated rates (of 5½ to 9½ per cent) apply to deposits of less than 10m dirhams. It is *no secret that depositors* seeking a higher return can put their money in Bahrain, whence it returns to the unregulated UAE Interbank market. Deposits exceeding 10m dirhams carry a market rate.

Rates on both the larger deposits and Interbank loans have risen as high as 15 per cent *and more in the wake of dollar* rates. With U.S. prime rate rising to 20 per cent, it was only remedial injections of dirhams by the Currency Board and some non-economic restraints which kept dirham rates from going higher still.

Nevertheless, the dirham deposit base has remained static since the beginning of 1979 at around 18.5m dirhams. *Total dirham lending*, according to local estimates, has risen to as much as 145 per cent of this *base in recent months*.

The desire of the currency board to slow the outflow of dirhams and a search by bankers for a source of funds less expensive than deposits together led to moves for a local money market. In the event, both have been disappointed.

Certificates of deposit were issued by the National Bank of Abu Dhabi (NBAD) and the Khalij Commercial Bank in January, 1980. But the experiment has not been the success which might have encouraged further issues, and eventually some progress towards similar instruments.

But this failure has pointed again to a central problem in the UAE: even more than elsewhere in the Gulf, its citizens are acutely nervous of the risk involved in anything more adventurous than a three-month fixed rate deposit.

This affliction blights even *the Interbank market. Since the* banking liquidity crisis of 1977, even this market has fought shy of six or nine month deposits.

Even assuming the creation of a fully-fledged Central Bank, however, there are many who doubt whether significant changes could be effected in *attitudes towards these various* problems. Indeed quite the opposite: a Central Bank blessed with half the income of every emirate, as Sheikhs Rashid and Zayyid are reported to have agreed upon in March, could create in the opinion of one senior banker "untold problems of management and integration."

Bankers afraid of this tend to urge that the UAE accept a dirham outflow and its attendant *complications as inevitable* traits of its bizarre economy, while strengthening the *central authorities to tackle other*, perhaps more useful goals.

Progress has already been *made in tightening up the* regulatory environment for retail banking. There are no less than 52 licensed banks in the UAE, which continues to represent a waste of the federation's resources. But at least new banks have been prevented since 1978 and there is less danger of a crisis of confidence such as that which shook the emirates in 1977. Balance sheet ratios are closely observed by Currency Board inspectors in line with elaborate liquidity requirements.

Dollar business

Finally, there is the dollar business of *the UAE banks*. Since the great bulk of the oil revenues which are surplus to the Federal budget requirements accrue to Abu Dhabi, it is in this emirate that most of the UAE's international banking activity is centred.

The Abu Dhabi Investment Authority (ADIA) *decides* in concert with Abu Dhabi's Department of Finance how this surplus should be distributed as between direct foreign investments, overseas securities and deposits. All key decisions at ADIA rest firmly in the hands of its four local, Arab directors. Where possible, they are using this power to encourage the involvement of the local banks.

The lion's share of the local deposits goes to NBAD, which is 66 per cent owned by ADIA, has total footings now of about $5bn and is easily the predominant financial institution aside from ADIA itself.

D. Campbell Smith

Port development has shot ahead in the UAE without a corresponding increase in traffic. But, as Mary Frings reports, it is regarded as an investment for the future.

Giant docks complex left high and dry

Freddie Mansfield

The control tower at Ras Al Khaimah airport

THE SADDEST sight in the UAE today is the vast, deserted £230m Dubai Dry Dock. The British consultants and contractors who worked on it for five years are bitterly disappointed that what was planned as the most sophisticated ship repair complex in the world has for the past 15 months remained a wasted asset.

In 1971, Shaikh Rashid commissioned Sir William Halcrow and Partners to investigate the engineering feasibility of constructing a dockyard in Dubai. They were not asked for an economic evaluation, although Shaikh Rashid had other reports and it did look at the time as though the tanker market was going for bigger and bigger ships: hence the 1m-tonne dock, flanked by two smaller ones alongside. Today, the tanker market is depressed and few dry docks in the world are making money, even though like ASRY in Bahrain, they may be working at near capacity.

Lisnave, which has its own VLCC dock in Lisbon and operates ASRY on a management contract, was closely involved at every stage of its design and construction. The fact that Dubai has not had that advantage has given rise to misgivings. Swan Hunter withdrew as potential operator early on, when Shaikh Rashid insisted on full risk participation, and much of the dock was engineered on a world operator consensus basis. Any company taking over now must accept a *fait accompli*, or go to the expense of putting in equipment of his choice. Even if he is satisfied, it will take a long time to work up the components into a fully operating unit.

A number of operators around the world have been provided with an outline brief, and the Koreans have taken a closer look. But the insistence on risk participation continues to be a stumbling block, to everyone so far except Bristol Channel Ship Repairers (C. H. Bailey), with whom Shaikh Rashid has been negotiating since November, 1978.

Despite his own estimate of up to seven years of loss, the ebulient Christopher Bailey is daily expected to fly into Dubai to sign on the dotted line. If and when he does, the maintenance crews trying to keep the machinery in working order will heave a sigh of relief.

International doubts about the dry dock's ultimate pay-off are not shared in Dubai, where the upturn in economic activity has sent a wave of confidence through the market. A lot less is heard this year than last about poor planning and wasteful duplication. Businessmen in Dubai argue that tangible assets are better than money in the bank, especially when they provide port and airport services for local people.

If the industrial diversification programme works out as they hope it will, projects built now are an *investment* for the future, given that inflation could double costs by the middle of the decade. One long-standing expatriate said: "These people do not think in days, they think in years."

Cut-throat

However, there is no denying the fact that at the present time, the UAE has over 50 per cent of the Gulf's port facilities to service 5 per cent of the area's population. The existing berths are under used and more are coming up for completion. There could be cut-throat competition, but most port managers believe an all-out rate war would be counter-productive. At Sharjah's Mina Khalid, operated by a subsidiary of Seatrain Lines of New York, manager Philip Forrest puts it this way: "We could all handle more business than we are going to. But rather than get into the market share game, we want to develop new business into the port, through specialisation and tailor-made services."

Sharjah is specialising in container and ro-ro traffic, transhipment and distribution with extended free storage, and package deals for regular and high-volume users which offer tariff cuts of up to 25 per cent.

It boasts an alongside cold store to service an average of 15 reefer ships a month, and a 250,000 square metre free zone for industrial development. Dow Chemicals opened a styrene manufacturing plant there last month, and other tenants include two offshore supply companies and an animal feed mill. Car transporters Hoegh Ugland are among half a dozen companies using Mina Khalid as a distribution centre, and BP has its own terminal.

Total cargo handled at the 12 berths in 1979, excluding containers, officially reached 2m DWT, with 656,000 DWT for the first four months of this year. These figures are remarkably high, compared with the 2.76m DWT reported for Dubai's Mina Rashid in 1979. Sharjah's container terminal is a separate operation which is said to be working at about 50 per cent of capacity, with 50,000 TEUs handled last year and a similar throughput projected for 1980.

The computer-controlled container terminal at Mina Rashid is doing rather better, with a 70 per cent utilisation rate. The 1978 throughput of 136,000 TEUs rose to 170,000 in 1979, and port manager Captain Ian Butcher is confident of topping 200,000 by the end of this year.

A 19-berth extension begun in 1976, when peak waiting time was 100 days, has given Mina Rashid 35 berths. Now that distressed cargo for Iran has been cleared, transhipments to Pakistan, India, Iran and smaller Gulf ports are back to their regular pattern.

Shipping tonnage handled at Mina Rashid dropped by more than 5 per cent, but imports into the UAE continued to rise, which indicates some loss of trade to Sharjah and Jebel Ali.

Sealand transferred its custom to Jebel Ali last July: it has the management contract for this $1,600m industrial port development, designed to provide 15 km of quays and 66 berths. Four general cargo and three container berths are now operating, while a ro-ro berth will be ready by the end of the year. Specialised berths for Dubai's aluminium smelter and for LPG are also open.

Last month a free zone was declared at Jebel Ali, for warehousing, distribution and manufacturing. Cleveland Bridge and Engineering, in joint venture with A. W. Galadari, is already there, together with a cables plant and cigarette distributors. Sealand and Blue Star are the major lines operating through Jebel Ali, but trade has yet to build up.

Role to play

At Mina Zayed in Abu Dhabi, which handles about half as much trade as Dubai, plans to construct an outer harbour have been shelved, but the 21 berths will increase to 29 by 1984. The two-berth container terminal is due to go into operation in August, after delay in installing the cranes. There is little transhipment trade, and no plans for a free trade zone. The major development in Abu Dhabi is the new industrial port at Ruwais, which includes berthing facilities for LPG carriers, oil tankers and fertiliser bulk carriers. There is already an oil terminal at nearby Jebel Dhanna.

The smaller ports are not exactly humming, although two have a specific role to play.

Ras al Khaimah ships over a million tons a year of cement, lime and aggregate through Mina Saqr—but phase two of its development, which was probably unnecessary anyway, came to a halt when the money ran out. Its two ro-ro berths have only seen one ship in their history. Ajman exports its marble from a coaster wharf, and its small ship repair facility, in partnership with Mitsui of Japan, is doing good business. There is less to be said in favour of Fujairah, a half-hour's drive from Khor Fakkan, whose two berths are due for completion in December 1981, financed by federal funds.

If Abu Dhabi's attitude to ports has been cautious, it has the most ambitious airport plans, and by 1983 it will have three.

The existing airport on Abu Dhabi island, designed in 1968, is having difficulty coping with its 1 million passengers a year, even with a temporary extension. So Nadia Airport is under construction 30 km inland, for a projected 9m passengers in 1990. It is due for completion early next year, at a cost of some $325m. There will be ample space on its 96 sq km airport reserve for the Gulf Air engineering base, due to be built at Abu Dhabi's expense to take over TriStar maintenance from Hong Kong.

The old airport will be kept open for military use, some charter work, and the Royal Flight, while a new airport capable of handling two jumbos simultaneously will be built at Al Ain, 100 miles away. It is suggested that as Al Ain stands 250m above sea level, it will make a good diversion airport when both Abu Dhabi and Dubai are fogbound.

Dubai airport, served by 32 airlines, already handles 2½m passengers a year, with the help of four new holding lounges for transit and embarking passengers. Traffic is expected to increase by 10-15 per cent within two years, but plans for a new arrivals terminal are still under discussion.

Good communications hold a desert land together

COMMUNICATIONS play a big part in the effort to weld the UAE into a homogeneous whole. The federation covers 32,000 square miles of inhospitable terrain, ranging from monotonous salt flats and gravel desert to dunes and mountain crags. Road links between major towns are excellent, considering that up to five years ago a Land Rover was the only practical vehicle in which to travel the Northern Emirates. Even now a landslide blocks the spectacular inland road to Dibba on the Gulf of Oman.

The road system is constantly being improved, as more federal funds are devoted to the less well-endowed emirates. But the attitude of local drivers remains non-conformist. A visiting schoolboy recently counted over 100 wrecked cars along 60 miles of fast dual carriageway between Abu Dhabi and Jebel Ali, south of Dubai.

All the main centres of population are accessible by telephone, and public pay phones are to be installed in isolated communities, as well as in urban areas.

Hire cars and service taxis are readily available. Metered taxis are very cheap within Abu Dhabi town, although in Dubai the system is less strictly regulated. A subsidised federal bus service is being planned, following the recommendations of UN consultants. Abu Dhabi already operates a low-cost bus service to Al Ain, 95 miles away.

Air shuttle

The construction of a new civil airport in Al Ain—a growing university town as well as an agricultural centre and a favourite weekend retreat—suggests the possibility of an air shuttle. Emirates Air Service, a locally-owned light aircraft charter company, two years ago proposed a three-times-a-day, walk-on, walk-off commuter service on the more immediately promising route, between Abu Dhabi and Dubai.

But the national carrier vetoed this Laker-style initiative as infringing on its rights. Its own single flight a day—with no possibility of returning the same evening—requires passengers to carry a passport and to go through time consuming exit-entry procedures, for a 35-minute journey which crosses no international borders.

The UAE's telecommunications system was completely united only in January this year, when Ras al Khaimah finally joined the other six states in the Emirates Telecommunications Corporation (Emirtel). The merger brought a third earth station into the network—which may not be as superfluous as it appears, since the UAE is one of the world's major users of Intelsat satellites, and the $160m (£67.5m) Arabsat project, after several false starts, is now open again to international tenders.

The UAE now has a modern and efficient telecommunications system—developed in a very short time. In 1972, there were only 40 international circuits available to telephone subscribers in the UAE. By the end of March this year there were 758, and direct dialling facilities (ISD) were in operation to more than 30 countries, including the U.S. and Japan. By 1981, the list will have grown to 40.

Within the federation, there are more than 10 times as many domestic circuits as there were seven years ago, and the number of direct exchange lines increased from 11,000 to 100,000. About 24,000 additional lines were installed last year, and the rate for 1980 will be similar.

Increasing use is being made of the telex service. The first exchange was installed only in 1976, although telexes were being sent via Bahrain long before that. There are now over 4,000 subscriber lines and 460 international circuits, compared with 1,500 lines and 142 circuits in 1976. Contrary to world practice, there has been a steady growth in telegraph traffic, since there are still areas of India, Pakistan and the Middle East where telex and telephone links are lacking or unreliable.

Banks and big commercial companies use leased lines, and a number rely for up-to-date financial information on the Reuters Monitor Service. An Emirtel official commented that the UAE is "not far removed in commercial philosophy" from Bahrain, and in fact the telephone traffic to and from the UAE is considerably heavier. The two Gulf states are among the world's highest users of telecommunications for business purposes, and both have a role as transit centres.

The satellite system has a more popular application, in bringing televised international sporting events into UAE homes: the national television authorities use an average of 2,500 minutes a month, and more when there are big football matches to be seen. Emirtel also transmits television coverage to the rest of the world of the visits of foreign dignitaries to the UAE.

New developments in the telecommunications network include the installation of a digital telephone exchange, with 42,000 lines, and digital transmission systems. A computer-controlled international telephone switching centre is due for completion in Dubai by mid-1981. A co-axial cable is being laid between Abu Dhabi and Al Ain, to be followed by a link westwards to Tarif and Jebel Dhanna.

Speed bumps

The first submarine telephone cable in the region, between Abu Dhabi, Doha and Bahrain, should be working by the end of 1982; its 1,200 circuits will give the participating states more flexibility in handling the heavy traffic. Other facilities scheduled for 1981 are a central coast station, with a number of "slaves" offshore, to give ship-to-shore VHF radio coverage to all UAE ports, and the introduction of a public mobile automatic telephone system, for wealthy car-owners.

Road communications have been developed by individual emirates with certain differences in style. Sharjah is addicted to flyovers, one of which leads nowhere, because the road project was brought to a halt over a land ownership dispute. Dubai favours traffic lights, even on roundabouts, while Abu Dhabi is notorious for its bone-shaking speed bumps. These are now to be scrapped, because drivers in a hurry find an unconventional way around them, or bunch up for a Le Mans start the other side. Only the newspaper sellers in town will be sorry to see them go—and they will probably find a new pitch at light-controlled junctions.

Abu Dhabi, which physically accounts for nearly 87 per cent of the UAE, has about 650 miles of main highway and an annual roads budget of $50m. Little maintenance is planned: the practice is to wait until the road disintegrates and then rebuild it. But the standard is good, and the appalling accident rate is attributed more to gross overloading of vehicles, and excessive driving speeds, rather than to any defects in the roads themselves.

M.F.

Since the property market crashed in 1977, tenants have called the tune. Kathleen Bishtawi reports.

Rents still to recover from crisis

THE MERE MENTION of the word "property" in the UAE is enough to make bankers, landowners and the Government alike wince in pain. Since the spurt in oil prices in 1973, the property boom which marked the ensuing years left a trial of economic devestation over the whole country.

Property investments were partly responsible for the banking crisis of May 1977, the repercussions of which still linger in the economy of the UAE. From 1973, whole streets of apartment complexes sprang up as if by magic, as all sectors of the economy geared themselves up for the boom. But only four years later, the vicious circle of builders building buildings for other builders to live in became apparent.

Not all emirates have recovered from that period, and for the banks, property investment still absorbs about one-third of their loan portfolios. The long-term nature of this has caused a subsequent stalling of credit and general liquidity.

For the Government, the size of the problem borders on the political, for local merchant community pressures have reached such a pitch that the Government now must do something about it.

Size disputed

Even the size of the problem is disputed. Statistics from the central monetary institution put property investments by banks at $1.6bn, though there appears to be some confusion in both the Currency Board and the banks as to what constitutes property investment. A higher figure comes from Cluttons, one of the UAE's most active agents, which believes that between 1972 and 1979 a total of $4bn was invested in this sector.

Whatever the size of the problem, the property market crash of 1977 left many citizens unable even to cover their interest payments on bank loans from rents. The richer members of the local business community were affected doubly — as developers, and in many cases, as owners of banks. For the Abu Dhabi emirate Government, the problem was particularly embarrassing because its Crown Prince, Sheikh Khalifa, was involved in guarantees for the construction of 400 buildings in the sheikhdom.

In the northern emirates, the problem is still acute, for several thousand apartments remain unlet and rents are still tumbling. Sharjah, particularly, has its monuments to the boom, the largest of which is the Boorj Avenue, a complex of 17 10-storey buildings whose completion has slowed to a snail's pace.

The construction industry alone absorbs 25 per cent of all bank credit in Sharjah, though the emirate's citizens are probably not affected much, because most developments have been undertaken by Abu Dhabi merchants, Dubayans, Kuwaitis, Saudis, and other Arab nationals. (Sharjah until recently allowed foreigners to own and develop land).

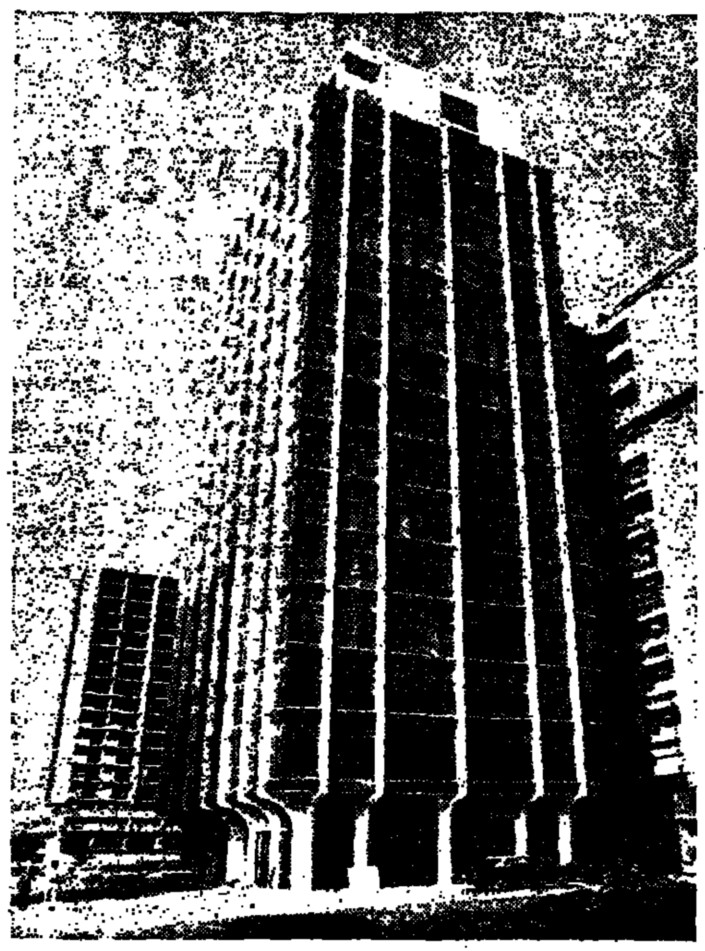
When the crash came three years ago, Sharjah was the first to be affected, and rents have been falling ever since. Villas can be secured for as little as $11,000 a year, apartments vary from $1,600 for one bedroom to $3,500 for two-bedroom units—prices which are around half those of Dubai, and probably the cheapest in the Middle East.

Naturally, such rents have their attractions, and many companies have chosen Sharjah as their Middle East base, but others prefer to be where the action is. Many companies use the emirate to house their bachelor staff, for the state is short of first-class accommodation. Local estate agents hope that rents have finally bottomed out in Sharjah and that the attractions of the town in terms of entertainment and cheap rents will lure singles and those companies seeking to house middle-range employees.

Dubai's position has worsened in the last few months, from both a tenants' and a landlord's point of view. Over the last few weeks, Dubai has seen the supply of first-class quality office and residential accomodation double.

The new blocks which have come on stream and others which will do so in the next few weeks are perhaps the most lavish the Middle East has seen. Built by international contractors to high standards, these apartment/office/leisure complexes will open at a time when rents have been dropping 15-25 per cent for two years. There are already several hundred unlet first-class accommodation units in the town and several thousand in the medium category. Thus, the question most frequently asked about these new Dubai buildings is: "Who is going to live in them?"

This question concerns some of the top merchant names in the emirate. One of the largest blocks is Mr. Abdel Wahhab Galadari's Galleria complex, which consists of 395 apartments, 475 hotel rooms to be managed by the Hyatt International Corporation, and a long list of facilities.



The Abu Dhabi skyline—only here is accommodation in short supply

They include 13 bars and restaurants, an ice skating rink, two swimming pools, a cinema, computer telephones, tennis and squash courts, a house laundry and even in-house videos.

Not even London has such buildings, and rents which are now being asked match the facilities: around $16,000 a year for a two-bedroom apartment. The Galleria is the most expensive of the new blocks, and the Ghurair centre, for example, is renting its units from $7,000, while the Al Mualla centre is going even cheaper. Naturally, all these new pleasure dome-cum-homes include the now-necessary facilities of a swimming pool, in-house videos and a few shops.

These new blocks in many ways herald a new era in plush living for Middle East expatriates and are likely to set new standards of accommodation in other emirates and regions of the Gulf.

However, their size and cost will mean longer write-off periods for their owners. Some are even talking of 10 years, an unheard-of time in a region where only a few years ago property investments were recouped by the batch of cheques from the first incoming tenants. Local estate agents say the situation is becoming "more normal" and most are optimistic about their eventual profitability. Most of the new pleasure domes have needed expensive marketing campaigns, and many owners have resorted to television advertising to lure tenants out of their old buildings.

Abu Dhabi, with its massive oil income and ambitious development plans, is the only bright spot in the gloomy property picture in the UAE. The continuing high level of business activity is still generating new arrivals to the city, and thus the housing scene is the reverse of the northern emirates. There is, say local property agents, a shortage. Cluttons, in Abu Dhabi, reports a waiting list of dozens and only a handful of properties on its books.

This situation has only arisen in the last six months, however. Before then, the city had several hundred unlet apartments, mainly around the harbour area, many of which had been financed under the Sheikh Khalifa scheme. In an effort to calm the mounting complaints from investors the local emirate Government decided to offer its own employees free apartments instead of housing allowances, and thus the empty blocks were quickly filled.

Situation eased

Some 3,000 families quickly moved in, and many more new tenants will do so if the agreements signed by various ministries are taken up.

The situation was also eased by a moratorium on new buildings declared by the municipality, and apart from a few permits issued to prominent Abu Dhabi personalities, no new starts in construction of residential or office accommodation have been allowed since December 1978. At the same time, banks were forbidden to lend more money to finance any new investments in property in the emirate.

The two factors have created a shortage in Abu Dhabi and rents are thus rising from their stable level of two years ago (they never went down in Abu Dhabi). In the last six months alone, rents have gone up by 10 to 20 per cent, and the future promises even higher increases, as the number of units coming on to the market will number only hundreds, while the demand is likely to exceed that.

The changing situation in the capital may mean less pressure from local merchants in support of the Government's idea to form a real estate bank. The idea was first mooted two years ago and together with the moratorium was the Government's answer to the property problem. Since then, however, bankers have been waiting to hear how their estimated $1.6bn property investments will be offloaded. In recent weeks, some progress has been made, with the announcement that the Federal Ministry of Finance intends to spend $270m a year for the next four years on this problem. The first allocation has been put aside for this year, but confusion still reigns about how the Government will spend it.

Three options appear to have been examined. One is that the Government merely subsidises the interest rate, to bring it down to more acceptable rates for the owners. Most bank loans for construction were taken out at around 14 per cent, and there have been reports that the Government will subsidise 10 per cent, thus allowing an owner to pay only 4 per cent and help him pay off the interest and the principal through rents.

Another possibility is that the projected real estate bank take over all the buildings, and take the responsibility of renting the blocks, at a charge of 4 per cent to the owner.

Many staff

This arrangement would stand until the debt was paid off and the building handed back to the developer. However, it would fully involve the federal Government in the real estate business and would require the employment of many staff—one estate agent estimated that 300 in Abu Dhabi alone would be needed just to administer the project. The scheme thus looks cumbersome and unwieldy.

A third option being talked of is that the Ministry of Finance would establish not a real estate bank but merely an administartive committee. This committee would buy up all the loans as they stand, and the banks would be responsible, for a commission fee, for renting the properties. The owner would receive 25 per cent of the rent and the remainder would got to the ministry until the debt was paid off.

This, in turn, would involve the banks in the real estate business, and though many of them have been acting as property agents, many may not wish to continue to do so for what promises to be a long period.

It is now clear that a solution to the property problem may not be easy, for each option has its complications. It has been two years now since the federal Government announced the real estate bank, and nothing appears to have happened yet. Meanwhile, bank credit and general liquidity remains tight. Pressure, particularly from the northern emirates and from local bank owners, is likely to continue. But in Abu Dhabi, which faces an accommodation shortage in the next year, the problem is likely to solve itself. There are even reports that federal employees too may be given free houses instead of allowances, and this alone would greatly alleviate the surplus, particularly in the north.

In the meantime, the rents in the capital, this Arabian desert version of Manhattan, are likely to remain and may even exceed Mayfair levels. The old symptoms of a boom are beginning. Villas are only rented with two years' rent in advance and for $35-50,000 a year.

Three-bedroom apartments are going at $21,000 and are scarce. Office accommodation, of which there is a temporary surplus, is being quickly taken up, and land in the industrial areas is rapidly changing hands and being developed. Turn rounds on investments on villas may revert to three or four years. In other words, given a lifting of the moratorium, the capital will return to the normal Gulf-style boom.

An ancient self-sufficiency trickles away into the sand

THE SECURITY of food supplies is becoming of increasing concern in the UAE. There can be no going back to the days before oil, when outside the cosmopolitan trading community, the small indigenous population lived on dates and camel's milk, supplemented by locally caught fish or the occasional slaughter of a goat. They liked their coffee, tea, sugar and tobacco, but without these imports they did not starve.

There is almost no hope of self-sufficiency today, with the population swollen to many times its original size and a new way of life affecting every level of society.

Money is available to buy in what is required — but Gulf importers have already seen their supplies dwindle away as a result of civil strife from both Lebanon and Iran, and the use of a trade embargo as a political weapon is no longer seen as a mere threat. Whatever can be produced at home is some kind of limited insurance: fresh vegetables in the cooler months, half the market demand for eggs, a month's stock of wheat. In this context, commercial criteria are of secondary importance.

New wells

Mr. Mahmoud Al-Afifi, Director of Agriculture at the Arid Lands Research Centre on Sadiyat Island, emphasises the point: "We cannot eat money. As soon as we have the water and the know-how we must battle the sand and grow food for the people." He would like to see more investment in agriculture, so that productive projects will be well established when there is less money to spare.

Water is the major limiting factor. Agricultural land is being extended by about 10 per cent a year, mostly in Ras al Khaimah, along the east coast, and around the inland oasis towns of Al Ain and Daydh. Some agronomists are trying to call a halt until a comprehensive ground water survey has been completed and a federal water authority has been given power to manage the available resources. Local councils in areas where salinity is increasing have already agreed to a ban on new wells, but attempts at control are liable to come up against tribal tradition. A newspaper report headlined "President listens to people's problems" ends with royal directives for the digging of wells, in response to petitions.

Historically the land was once much more fertile. Documents record that in AD 650 the population of the east coast was punished for having rejected Islam, by haying the vines, figs, pomegranates and dates cut from their gardens. As late as 1863, an English traveller saw mangroves in Dibba, and described the area as "a jungle of green."

The desert began to take over, says the federal Director of Agriculture, Mr. Mohammed Abdol-Aziz, when invasions and tribal disputes drove farmers from their land, and the ancient *falaj* systems, through which water flowed underground, fell into disuse. Tradition speaks of "one falaj for each day of the year," meaning as many as were needed. Today, only 82 have been located, of which 18 are still functioning. The majority cannot be repaired because the water table has fallen below the level of the reservoirs.

Rapid urban development, the demands of industry, and wasteful flood irrigation, have resulted in water being drawn from the aquifers at three times the estimated replenishment rate.

Localised studies reveal that in Al Ain, which once supplied Abu Dhabi town with sweet water, the water-table is dropping by an alarming two feet a year. By 1982, 30m gallons a day of desalinated water will be pumped in for domestic consumption, while ground water will be reserved solely for agriculture.

In coastal areas, notably Ras al Khaimah and Kalba, the intrusion of sea water into the water table points to a future need to purify brackish ground water by reverse osmosis, to make it fit for agricultural use. Some officials believe desalination from the sea is the answer to all problems, regardless of cost, and they are confident that solar energy will be harnessed by the time the oil runs out.

Conservationists on the other hand are taking immediate measures to make the best use of what they have, with the progressive introduction of drip irrigation, and the construction of concrete irrigation channels to minimise water loss. Drip irrigation, which is used by Shaikh Zayed the ruler of the UAE for his ambitious afforestation programme, results in a 60 per cent saving of water over traditional methods.

The most imaginative conservation scheme to take shape is for the construction of dams to capture the rainwater before it runs uselessly off the mountains into the sea. Rain tends to come in torrents, although it has averaged only 100 mm a year over the past 15 years. The plan is to hold the water in wadis, so that it will seep into the ground and recharge the aquifers by some two million cubic metres of water a year.

A study by consultants from the Tennessee Valley Water Authority identified Wadi Bih in Ras al Khaimah, and Wadi Ham, west of Fujairah, as the ideal locations; but their proposals for reinforced concrete dams were rejected as unnecessarily costly. Now Electrowatt of Switzerland is (designing) retaining walls in earth and rock fill.

Harsh conditions

In Abu Dhabi, which has its own Department of Agriculture —the federal Ministry looks after the other six emirates— $32m was allocated to agricultural development last year.

Shaikh Zayed can obviously afford to fund projects that would be unrealistic elsewhere. At Sadiyat Island, for example, he has chosen the harshest possible conditions for vegetable culture, to prove that if the "controlled environment" system can work where there is nothing but salt water and sand, it will work better in Ras al Khaimah or Al Ain.

The Arid Lands Research Centre spends 70 per cent of its $2m budget on power generation, and the production of 120,000 gallons a day of fresh water from the sea. Giant extractor fans draw air over sea water-drenched heat exchangers, to cool the five acres of polythene greenhouses which shield the vegetables from sun and wind. Inside, a net work of drip irrigation pipes feeds desalinated water and nutrients to each cucumber and tomato plant twice a day. Rapid growth permits two or three crops a year.

About 70 farmers in Ras al Khaimah have been given land, water pumps, fertilisers and an air-inflated plastic "bubble," to try the method for themselves. At Al Ain, a joint-venture company is using it in commercial production, and making a profit.

The Al Ain Company for the Production of Fresh Vegetables is owned 60 per cent by the Abu Dhabi Government, and 40 per cent by Les Serres Fleuries, of Orleans, France. Good ground water is available for plant nutrition, but water from a saline well is used in the cooling system. The French manager sent 1,500 tonnes of tomatoes and cucumbers to market last year, and reckons the productivity rate is as good as in Europe.

Throughout the UAE, 4,000 farms are producing salad vegetables and fruit for sale, using mainly traditional methods. But none of them grows wheat, which is regarded as a strategic crop, worth cultivating by sprinkler irrigation even though after seven years of trials it is possible to recover only 70 per cent of production costs.

Two well-established research stations at Al Ain contribute to local markets. One was a gift to Sheikh Zayed from Compagnie Francaise des Petroles. The other is a Government project which concentrates on dates and limes, the supply of seedlings to local farmers, and bee-keeping for the pollination of fruit trees. Production of honey was four tonnes in 1979. The Department of Agriculture provides a wide range of services to farmers, including crop protection, ploughing, and the maintenance of loan equipment.

Animal husbandry in Abu Dhabi attracts an annual subsidy— $50 for a camel and $15 for a sheep or goat. This added up to a pay-out of $3m to 2,900 owners last year, many of them Bedouin, for whom Sheikh Zayed has established desert villages with a house and a plot of land for each family.

But old customs die hard, and the villages are often deserted, particularly after the winter rains when there is pasture for the wide-ranging herds.

At least three large-scale poultry projects are in commercial production in the Northern Emirates, and although their combined production of 64m eggs a year falls far short of market demand, this does seem to be one area in which the UAE can reasonably hope to achieve self-sufficiency.

Mary Frings

Commercial opportunities hinge on growth of local participation

COMMERCIAL LEGISLATION in the UAE is in a state of flux. Dubai wants to get on with the business of making money with the minimum of bureaucratic interference, but the federal government wants to bring everyone into line. This puts Dubai's Ruler Sheikh Rashid, in a difficult position. While his own instincts might prompt him to resist a unified commercial code governing trade, services and industry, as federal Premier he must see the anomaly of the present situation, where separate trading licences are required in each emirate and varying statutes and bye-laws may or may not be strictly applied.

The draft legislation now under discussion is thought to follow established practice in Abu Dhabi, where the principle of local participation has gained a stronger hold. How long it will take to get the law through the Supreme Council is anyone's guess: some officials expect a decision within weeks, others say it will take decades. Foreign companies or businessmen planning to establish a presence in the UAE would be wise to contact their embassy, the local chamber of commerce, or a locally based lawyer to check on the latest state of play.

The major business opportunities in the UAE are connected with infrastructure projects funded by the federal Government, and with industry. In the private sector there is scope in the consumer goods and building materials trade, but the scale of operations is comparatively small. In the services sector the secret is to spot a gap in the market, in anything from professional consultancy to air transport.

A young American who arrived in the UAE four years ago with Bristol Helicopters realised the need for an air charter service catering for the oil industry. He is now managing director of Emirates Air Services, backed by an Abu Dhabi businessman, Abdulla Masood. He started with one Cessna, and now has four De Havilland twin Otters and a DH-7.

Transport is one of the sensitive areas of business in which a licence is only issued to nationals. In other fields it is still possible to operate as a foreign company, but the importance of choosing the right sponsor or agent cannot be over-estimated. A good sponsor will know his way through the local red tape and use influence in his principal's favour.

Abdulla Mazrui of the National Bank of Abu Dhabi comments that while foreign companies always feel they have to pay a premium in order to make headway, Abu Dhabi is the least affected by under-the-table payments. Sponsors and agents there are awarded set fees and commission for the services they provide, and thus have less excuse than in other emirates for demanding "baksheesh." Few other businessmen are willing to discuss the problem, apart from admitting that it exists.

Short-lived

In Abu Dhabi foreign companies may apply for licences in trade, contracting, and services, but they must have a local partner, sponsor or agent. Sponsorship usually applies to a specific project, while an agency is continuous. In trading, the local partner is entitled to 25 per cent of net profits, whether he participates in the capital or not. If he does put money into the venture, his profit is proportional, subject to a 25 per cent minimum. There was a move in July 1978 to bring in compulsory 51 per cent local participation, and a federal decree to this effect was implemented by the Abu Dhabi Chamber of Commerce, which rejected 25 applications for licences.

A federal law dating from 1973 stipulated that only UAE nationals could hold agencies. The Chamber interpreted the 1978 partnership law to mean that joint ventures could qualify—but this concession was short-lived. Although agencies have not been taken away from joint ventures, new ones go only to purely local companies.

In contracting, the agent or sponsor of a foreign concern gets a commission on each contract: two per cent of the contract value up to D10m ($2.5m), one and a half per cent from D10m to D50m ($12.5m), and one per cent over D50m. The foreign company must provide a guarantee of D200,000 ($50,000) issued by a bank in Abu Dhabi. As the regulations stand at present, the sponsor has no responsibility for the foreign company's performance or debts.

In the services sector a local partner now gets three per cent of the value of each of the company's contracts, instead of 25 per cent of the profits. This is because of the difficulty of assessing profits in maintenance and installation work, which led to many disputes. Professionals such as architects, lawyers, doctors and engineering consultants do not need a sponsor at all, but in practice most of them find it an advantage to have local back-up. Industry is the only sector in which 51 per cent local participation is obligatory; incentives are offered in the form of land and services at favourable rates, and an Industrial Corporation has been set up to promote investment in small-scale industry. In Dubai and Sharjah there is the added attraction of free trade zones.

Any company may apply for a trading licence in Dubai without the need for local participation, on deposit of a D100,000 ($25,000) bank guarantee, compliance with documentary requirements and payment of fees. A British legal firm operating in Dubai tells clients "who may wish to secure the assistance and name of a local Arab partner without entering into a fully-fledged partnership or joint venture with him" that they should sign a sponsorship agreement whereby he will generally undertake to provide help in obtaining visas and work permits, and promoting the company's business in Dubai.

M.F.

As foreign labour continues to flood in to the UAE, Arab nationals make up an ever-shrinking minority in their own country. But the Government has not yet come up with a coherent population policy. Kathleen Bishtawi reports on the rumblings.

Population shift threatens stability

Immigrants queue at a Dubai labour centre to regularise their sponsorship. Some skilled workers were allowed to stay but the rest were told to leave.

THE CURRENT younger generation in the UAE is likely in the future to judge its elders and present government on one issue alone — the population. The growing population and the steadily declining percentage of nationals it contains pose a major internal threat to the stability of the country. If no decisions on the issue are taken now, it promises to result in a dilution of UAE Arab nationals on such a scale as to jeopardise the economic, social, cultural and eventually the political identity of the country. To many nationals the population imbalance is the great curse of oil wealth.

The UAE is in a worse position than any other Gulf country. In Kuwait just under half of the population is locally born. In Bahrain the issue only arises as educated and trained Bahrainis ease out expatriates from the top jobs. Qatar, with its tiny population of 200,000, manages to maintain a proportion of 25 per cent nationals, and in such a small country and economy the problem is more controllable. But in the UAE the proportion of locals to foreigners is 20 per cent and going down fast.

Late starter

The UAE was a late starter in its oil development and was in a hurry to catch up. It was a race that was inevitably spurred by the competitive rivalry of the seven individual sheikhs, as each tried to outdo the other in development. At the time the paramount need was to demonstrate to all that the benefits of oil wealth could be spread around. Yet in a surprisingly short time, UAE nationals have become accustomed to this oil wealth, and now the question being asked is: "Is this development really necessary?" Day by day the nationals, particularly the educated young, are realising that control of their country is slowly slipping away from them as they become a smaller and smaller minority in their own country.

Despite the overwhelming proportions of the immigrant community the supreme governing authorities, the sheikhs, appear unwilling to face up to the problem. It is not that they are uninformed about the problem, for its dimensions have been pointed out in a number of internationally commissioned reports. Those reports lie hidden, however, locked away in drawers, State secrets fit only for the consumption of a select few. Yet the longer the higher authorities dawdle over the problem, the greater may be the confrontation over its eventual solution.

To a large extent a number of the ruling sheikhs have both a political and personal stake in putting off the day when the country chooses between development or a proper population policy.

In the past many of them have sought to demonstrate their willingness to spend money on the people through the creation of a highly-geared economy, an emerging industrial sector and prosperity through a growing population. This way, the reasoning goes (and still goes in some emirates), the spin-off from government projects will be spread around the nationals in the form of tenants for all the flats and villas which have been built, construction contracts for local building companies and a growing market for all the luxury goods offered in the local stores. Put simply, more people mean more sales.

That ideology still prevails in a number of emirates, the most conspicuous of which is Dubai, which appears to have ambitions of becoming not only a prominent trade centre, but a mini-industrial state as well—a kind of Arabian Hong Kong. That kind of thinking has given Dubai one of the smallest populations of nationals to non-nationals in the emirates.

On a pettier level, a number of the more commercially-minded sheikhs have invested in property developments with hundreds of flats to let. Even lower down, at least one ruling family in the UAE has been involved in selling work visas, or alternatively has in the past allowed its emirate to become an entry point for illegal immigrants.

The concerned nationals among the population are fully aware of these factors, and perhaps unfairly and cynically believe that certain members in the heirarchy derive political benefits from an open door policy. "How can an opposition amount to anything in this country when it is a minority in a tiny minority?" is their reasoning. "Our voice is hardly going to be very loud. The vast majority in the community—the foreigners—are passive and uninvolved. There will be less people to criticise the rulers' policies."

Because of the extreme sensitivity of the problem, foreign observers and diplomats alike are left playing knowledgeable guessing games with the figures. There are however a number of well-informed authoritative sources on the subject—though all are hampered to a considerable extent by the inadequate statistics collated by government departments and the superficial nature of the official studies. Even the experts are working in a margin of guesswork, so it is not surprising that even those given access are in dispute as to what the population of the UAE may be now. Some believe it to be 950,000 (the publicly issued figure) while others say it may be as high as 1.1m.

Such figures mean that in the space of just over ten years the population has multiplied five times. In 1968 it was only 180,000, of which nationals made up 90 per cent. By 1973, the year oil prices took off, the total population had already doubled and the proportion of nationals was down to half. Four years later, with the total standing at 840,000, they had dwindled to only a quarter.

Growth rate

Each year the natural growth rate of nationals has been a steady 3 to 3.5 per cent, while the expatriate population has grown on a compounded scale by an average of 46-50 per cent in the period 1968-77. Total growth was a staggering 18.5 per cent a year during those boom years.

But the level of inflow of new immigrants is naturally directly related to the pace of the economy, and any cooling off in development will automatically show up in the number of work visas issued. With the banking crisis of May 1977 and the downturn in business the number of visas declined, but nevertheless remained at a high level. During the boom year 1976, some 240,000 visas were issued. A year later the number had dropped to 26,000 and in 1978 the latest year for which figures are available, it had dropped again to 164,000.

If no population policy is decided and the normal historic growth rates in the non-oil Gross Domestic Product are assumed, then UAE nationals could be only 14 per cent of the population by 1985, according to some informed observers. By 1990 the situation could be even worse, with nationals become one of the smallest groups in the country—less than 10 per cent of the whole.

This year, however, the Government made a positive effort to tackle the labour issue. New regulations were issued that declared that no immigrant was allowed to change his job without first leaving the country for at least a year. A number of skilled categories of workers were given a month or so to get themselves regularised and their sponsorship in order, but all others were told to leave. (A recent study by the Labour Ministry indicated that as many as 35 per cent of all immigrants may be illegal.)

The result was the kind of chaos which occurred in a similar amnesty in 1978, with arbitrary street arrest of immigrants with incomplete or irregular papers, and panic and near-riot scenes at immigration offices. Flying raids took place at offices and construction sites.

The commercial sector complained that such regulations prevented them from recruiting from local manpower, forcing them to search abroad for employees. Newspaper editors argued that such measures would lead to further exploitation of the foreign labourer as employers offered the choice of "like it or leave" to their employees. The right to change one's job was also a basic human right, they argued.

For whatever reason, the deadline period was put off for four months by order of the President, Sheikh Zayed. The postponment took a great deal of steam out of the legislation, and was achieved, many sources believe, by pressure from the commercial sector—the forces most interested in an open door policy.

Between Islam and Travolta

THE SCENE was enough to make the Victorian explorers of Arabia Deserta turn in their graves. The location—Lucifer's discotheque in a hotel in Dubai. A UAE national from Sharjah, dressed in a vinyl plastic jump-suit, has just been declared the disco champion of the UAE in a competition sponsored by a Western cigarette company to find the top disco dancer in the Gulf. The runners-up included nationals from India, Pakistan, Oman, the UAE, Britain, Canada and the Philippines.

As the announcement came over from the disc jockey, a disgruntled competitor stomped around, hands in pockets harping at the result. "What do you expect? They had to choose a national, didn't they?" he said acidly.

That is the UAE today. A society wracked by its divisions of nationalities, class and religions, with a subtle social apartheid operating between each. At the top are the nationals, cossetted, privileged and protected by their government. Treated always with kid gloves and deference, they get served first in shops, government offices, restaurants and hospitals—a system which is rarely questioned by 85 per cent of the population, the foreigners, for always there is the implied threat of deportation.

For most, be they English or Indian, that is enough, for home far too often means a return to a depressed economy, possible joblessness and certain lower wages.

The privileges for nationals are not only custom, but are enshrined in local law. UAE teachers get one third more on their basic salary than imported Egyptians or Palestinians, even though they may carry the same qualifications; the same applies to doctors. Only nationals have the right to sell and buy land, start businesses, run taxi companies, receive family allowances and are guaranteed a place at university, the list is endless.

It is perfectly understandable why such a system exists. However, it hardly makes for the harmony between the communities on which the UAE is so dependent, and the same dangerous arrogance which exists in the more established Gulf countries is being bred in the UAE.

Future shock

However, in the emirates, such strains can be ill-afforded, for it is a far smaller minority of nationals controlling the majority.

Nevertheless, the UAE does accept its immigrants with a more open mind than some of its neighbours—providing of course that the newcomers leave their politics behind. On a religious plane, it is very free, for the Christians are allowed to maintain churches, and the Hindus have recently been given the go-ahead in Dubai for the construction of an official Hindu temple and burning ground.

Many of the long-stayers have done extremely well, and in Dubai alone there are some 25 Indian millionaires. As one Asian community leader put it, "If you keep your head down and take the treatment meted out to you, you can do well. But the last thing they want us to feel is secure."

The diverse racial nature of the UAE crops up in many different ways in daily life. Job advertisements in the local press often specify nationality as well as qualifications—Sri Lankan maids, Pakistani construction workers, Indian clerks etc.

In some emirates, the physical division between the races is total when it comes to taking an evening drink. There are bars for nationals and bars for Westerners, and neither is allowed to tread in each other's territory.

UAE nationals have had to live a "future shock" existence ever since the oil was discovered, and now for many, their culture hovers somewhere between the traditional codes of their bedouin heritage and their religion, Islam, and John Travolta. Such cultural dislocation naturally breeds its casualties and quirks.

This cultural swamping also has its political overtones. Until last year, UAE nationals had no hand in the actual reporting and writing of their own newspapers. The local press was written largely by foreigners naturally anxious not to rock the boat, and thus its tone bordered on the servile.

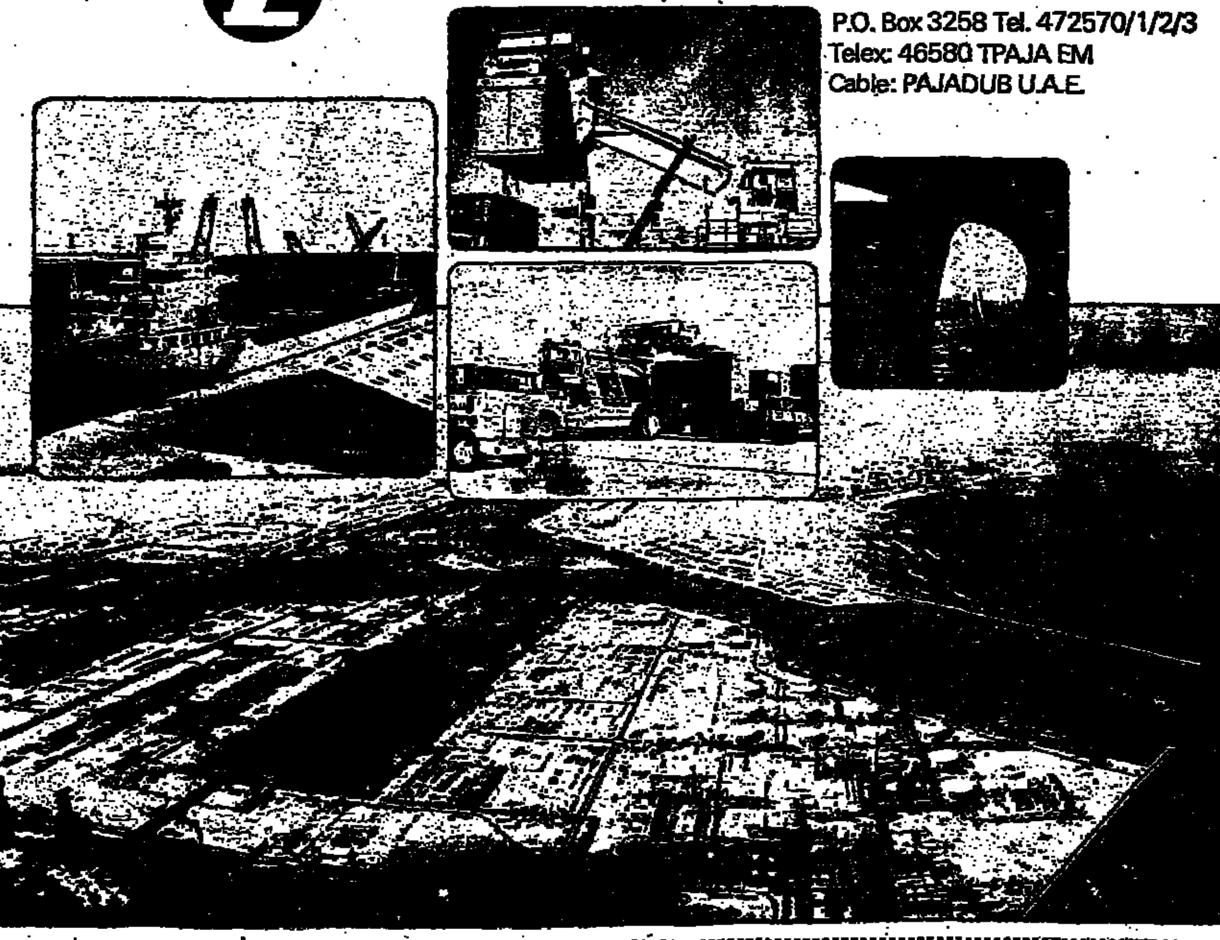
Only recently have nationals taken up their pens, and now Government policies are being questioned from the columns of newspapers and magazines. It has been a novel experience for some sectors of authority, and many in government would still prefer the uncritical imported style of journalism before, for their sponsored newspapers.

"By its very nature, the opposition is small, but our voices are going to be only a handful in a tiny minority" said one. "There will be less people to question them. We are being diluted in every way—politically, socially and ethnically. We are becoming a bastard nation, with no aspirations, no identity, no culture of our own. The people are being diverted by Western consumerism. The pursuit of money is burning them up," a prominent local writer commented sadly.

That was the anguished cry of one UAE male, but what of the other half of their society, the women, who face even greater uphill struggles. This time next year the opening shots are likely to be called with the graduation of several hundred women students from Al Ain university.

Not all will be looking for jobs, for many will still take the traditional career of mother and housewife and follow from thereon the orders of their husbands. But a great many are going to want to work, and as yet it is not known whether the Government is fully prepared for this onslaught.

K.B.



Financial Times reporters profile five of the UAE's most prominent personalities

Abdel Wahhab Galadari

MR. ABDEL WAHHAB GALADARI has just completed the riskiest project of his meteoric career. The Galadari Galleria, managed by Hyatt International, offers 395 residential apartments and 475 hotel rooms, neither of which are in short supply in Dubai. It is a $130m (£54.9m) act of faith in the Emirate's commercial future.

A deceptively unassuming 42-year-old, Mr. Galadari thrives on calculated risk. But he says his father taught him one principle: never play with other people's money. When critics suggest he may at last have over-extended himself, he points out that he is in debt on the Galleria for no more than $50m. "Anyone would buy the building for that amount, so I shall not go bankrupt whatever happens," he says.

On the contrary, he is so confident of the project's potential that he believes he will pay the loan within the five- to seven-year term, without hiving off profits from elsewhere.

Originally from Lingah near Bandar Abbas, the Galadaris have been trading in Iran and the Gulf for more than two centuries. From pearls, they moved into a wide range of commodities, and 130 years ago their big dhows were sailing to Calcutta. Much later came the gold run from Dubai, and a flourishing export trade in watches and transistor radios, which the Indian Government took strong measures to stamp out.

Second home

Abdel Wahhab's grandfather settled in Jeddah, and his father established himself in Dubai 60 years ago. His own education began in Bombay, and continued in Karachi, which he regards as his second home. At 15 he entered the American University of Beirut, on condition that his elder brother, Abdel Rahim, stayed on in the family business. Despite a later rift, this created a special bond between the two elder boys.

In Beirut, Abdel Wahhab says he worked hard for six years, and learned more about business and life than he could have done anywhere else. He left without finishing his degree, because his father decided he knew enough, once he had learned the value of money at first hand.

So on his return to Dubai, he was sent out to find a job. He earned a modest salary as a clerk in the British Bank of the Middle East, and then held a junior administrative post with Dubai Electricity Company.

The apprenticeship over, he went into business independently with Abdel Rahim and his younger brother, Abdel Latif. The 1973 construction boom found them active in the most fertile areas—banking, contracting, engineering and a number of useful dealerships. They made their fortune, but in 1976 a clash of personalities decided Abdel Wahhab to sell out. He explains: "If you build an integrated business it is difficult to split it. So we sat down amicably together: I took cash and they took everything."

How much cash is a family secret. He flashes his wide smile. "With the resources I had, I could have gambled on the New York stock market. But I'm not a gambler. My intention was to grow steadily and I think I've done well." So well that A. W. Galadari Holdings (Private) Ltd. now brings together more than 20 subsidiaries and associates, and a controlling interest in the Union Bank of the Middle East, formed in 1977 with an authorised capital of $125m, of which 40 per cent is paid up.

The real estate company owns four multi-storey buildings, other than the Galleria, 66 villas and the biggest private cold store in Dubai. A steel fabrication yard at Jebel Ali, in joint venture with Cleveland Bridge and Engineering, is working on a contract in Egypt. Construction work is being negotiated in Iraq, and Ellis Gulf, the mechanical and electrical joint venture, has a £4m contract in Sri Lanka. Motor vehicles, construction machinery, trading and printing are all part of the empire.

Among the latest ventures is an English-language newspaper. Abdel Wahab says he took it on as a challenge: "It was badly run and losing money, although it belonged to a good friend of mine. I can express some of my own views in the editorials—it's fun to have a newspaper. There are some things which can't be hidden, but most of the time we say what our Government wants us to say."

Taryam Omran Taryam

For a number of sheikhs in the UAE, Mr. Taryam Omran Taryam, Speaker of the Federal National Council, is the bete noire of the country's political scene. For some weeks now, a religious sheikh in Abu Dhabi has been calling him a communist, but to the youth of the emirates, Mr. Taryam represents the only establishment figure who puts over many of their views.

Today as the Gulf passes through a most turbulent period, there are many influences to choose from, varying from the Muslim Brotherhood to revolutionary Shiaism to Arab Socialism. But Mr. Taryam would class himself as believer in Arab unity and nationalism, philosophies which any authority would find hard to criticise.

First impressions for a foreigner meeting Mr. Taryam are of reticence and charm. Like many nationals he is distrustful of foreigners, but unlike his compatriots has no hesitation in inviting you back to his pleasantly furnished villa in Sharjah and even introducing his elegant wife from Doha.

Educated in Egypt, Mr. Taryam spent a major part of his youth in Cairo during its most heady days of Gamal Abdul Nasser. He began as a student of sociology, but eventually became chairman of the Omani students union in Cairo during the time when the Emirates were known as Trucial Oman. He participated in many demonstrations against colonialism and imperialism, but finally fell out of favour of the Egyptian authorities and was arrested on suspicion of being a Baathist, an unacceptable Arab philosophy to them.

Nationalism

He returned to the Gulf when the Trucial states were still dominated by Britain, and rapidly became known for his nationalist views. He began publishing a newspaper from Kuwait in which to express his views.

As Speaker of the House, he is believed to have been one of the driving forces behind the joint council and Federal Cabinet memorandum which caused political upheavals in the UAE in spring 1979.

Many of the more traditionally-minded sheikhs viewed the memorandum as a direct challenge to their authority and subsequently refused to attend a Supreme Council meeting in Abu Dhabi to discuss it.

The memorandum called for more unity in the country, for the unification of the armed forces, the abolition of all borders and for the writing of a permanent constitution. At the same time pressure mounted for more legislative powers to be given to the Federal Government and to the National Assembly itself and for the nationalisation of the oil industry and the economy. However, Mr. Taryam, being a nominee of the sheikhs, has never challenged their right to be the ultimate governing authority in the land.

The memorandum may have been forgotten by some sheikhs, but not by others, nor by the people of the UAE.

However, Mr. Taryam continues to expound his beliefs not only through the National Assembly, but also from the columns of his newspaper, Al Khaleej. Located in liberal-minded Sharjah, this newspaper has become an avenue where such issues as democracy, freedom of speech and the right to vote are openly and frequently discussed.

When Ahmed Suweidi, the former Foreign Minister, resigned his post, Al Khaleej and the Taryams were quick to lament the passing of such an Arab nationalist and believer in unity. Together with the Planning Minister and a couple of former Cabinet members, they have become known as the "young Turks" of the UAE. They make up a voice that the sheikhs cannot ignore, like the questions they raise.

Communist he certainly isn't—indeed, one foreign observer remarked that if Mr. Taryam were an American, he would be a Democrat, or if he were British, he would probably be a respected member of the Conservative Party.

Dr. Mahmoud Krouha

DR. Mahmoud Hamra Krouha chief executive of the Abu Dhabi national oil company, is a brisk man. An Algerian by birth and a former employee of Algeria's national oil company Sonatrach, he is a slightly-built man, neatly dressed in western suits, with an easy smile and an Indira Ghandi style streak of white in his hair. Aged 42,—he is fluent in Arabic, French and English. In conversation he impresses; firstly because of a broad grasp of details ranging from the production levels of individual files to exploration schedules; and secondly when he does not know a figure, rather than throw out a guess like so many officials he asks for the relevant file and provides the answer from there.

He became chief executive in 1971 and brought some of his fellow nationals with him, notably Mr. Ali Boudjadja, the director of industrial projects, and Mr. Mustafa Daidj, who is in charge of ADNOC's finances.

These are crucial appointments for ADNOC is not just the equivalent of a state oil, company but it is also responsible for the marketing of oil and, above all, for the development of the industrial zone of Ruwais, on which Abu Dhabi's long term economic future is based.

Inevitably, his position has not been without controversy. Many people do not shy away from describing his initial attitudes as having been arrogant, hinting darkly that his early reluctance to get Abu Dhabi's gas projects going stemmed from a certain patriotic allegiance to his mother country.

The oil companies in addition are not enamoured of his repeated criticism that they have damaged Abu Dhabi's oil reservoirs. He accuses them of having in the past gone for short term maximum production levels with a minimum of investment.

The companies, he argues had no long term strategy. The companies stringently deny all this, but with allowables down, some tensions still remain.

But ADNOC's chief is acknowledged today to be a far more relaxed person with his position firmly established. He has good relations with bankers, and also Dr. Mana Oteiba, the Oil Minister.

Dr. Mana Bin Said al-Oteiba

DR. Mana Bin Said al-Oteiba's UAE Oil Ministry is irreverently called the federal ministry of OPEC. In truth it would be hard to suggest that Dr. Oteiba has the power to produce a truly federal oil policy.

For while Abu Dhabi coordinates its policies closely with Saudi Arabia, pleading responsibility towards the economies of the West and following a moderate and would-be constructive line within Opec, Dubai largely goes its own way, pushing to earn as much as it possibly can from its moderate oil production through sales on the spot market.

Nevertheless Dr. Oteiba battles on through the motions of speaking on behalf of the whole country.

A strikingly good-looking man, whose well-toothed smile is emphasised by the traditional cloth headdress. Dr. Oteiba has been fortunate in having an affluent background, a long-standing close association with Sheikh Zayed, President of the UAE, who regards him as a second son, and a good Arab educational background.

His grandfather Ahmed was reckoned to have been the richest man in Abu Dhabi, and his father Said has certainly consolidated this. Dr. Oteiba was born in 1946 and obtained a Bsc. in economics at Baghdad University in 1969; this was followed by an Msc., again in economics, at Cairo University.

From there he was credited in 1976 with a doctorate, a massive 834-page tome in Arabic entitled "oil and the economies of the UAE."

Dr. Oteiba remains close to Saudi Arabia on most oil issues. He does not want the substitution of the dollar for pricing (but the UAE went along with the long-term strategy policy of OPEC at last month's meeting in Taif which would produce a price indexing system based on a basket of currencies, including the dollar).

Said Salman

SAID SALMAN is one of the UAE's more charming minsters: he even keeps appointments—a rare trait among high-ranking personalities in the UAE. Soft-spoken and articulate in English and French, this worldly air is perhaps the result of a French education, for Salman obtained a degree in law at the Faculte du Droit in Paris and later went on to become the UAE's ambassador there.

However, this Western finish came after a period of study at Cairo's Al Azhar university, where he not only gained a thorough grounding in Islamic law, but also an Egyptian wife who was a member of a prominent Muslim Brotherhood family there.

It is not surprising then that Said Salman heads the Islamicisation drive in the UAE, a philosophy which he is able to put into practical effect in his post as Education Minister. "I mixed with many political flavours while I was at university in France. I even joined the leftist factions," he says. "But only in order to get to know them. Now, having known what they are like, I want to protect the youth of the UAE from their 'slogan' politics." He "returned to Islam," he says.

However, he does not believe in allowing his own university students the luxury of similar emotional political adventures, and has even gone as far as firing six professors on the Al Ain campus because he thought them "too liberalist."

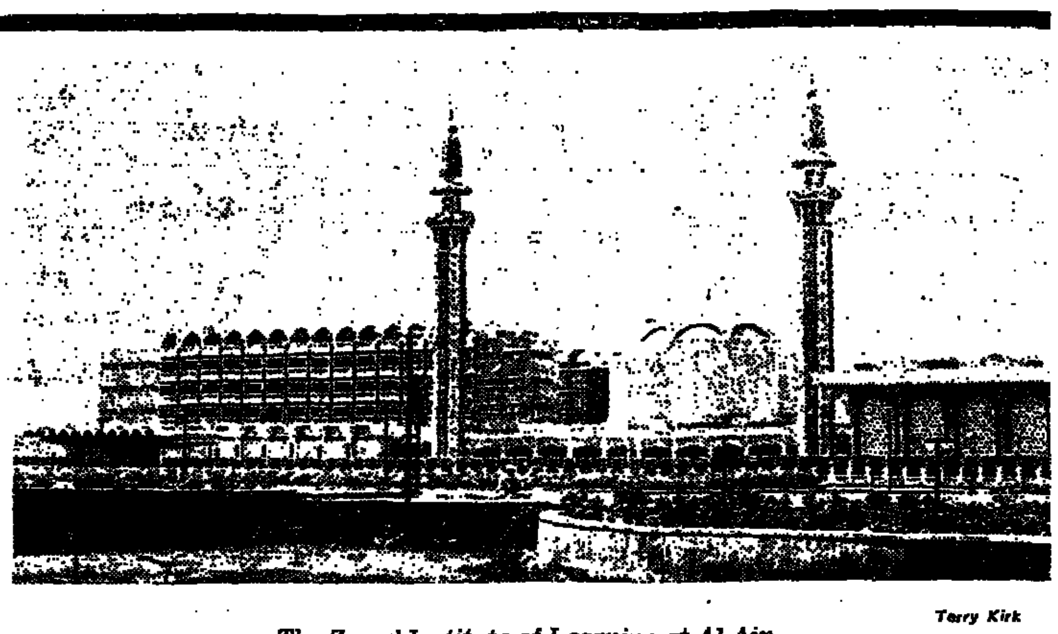
"We are a conservative country and we want our education system based on local traditions, not imported ideas. Modernism — yes, Marxism — no." He does concede grudgingly that not all people who question or criticise government policies are communists. "There are some who speak in the national interest. Anyway, I don't believe I have any conflict with the students. I listen to them, but I'm not obligated to act on what I hear. Besides the majority of them are reasonable, and I don't recognise the minority. They have to learn that Al Ain University is not Hyde Park."

For a Muslim fundamentalist, he takes a surprisingly liberal view of the role of women in society, and has so far resisted pressure to terminate foreign university education for girls. "I don't ask women to stay at home" he explains, "but they must realise that the mother is the main personality and driving force towards stability in the family. If you have stability in the family, then you have it in society as a whole.

"However, it is possible for a woman to harmonise a job with being a wife and mother. But first she must be the mother."

The UAE's education system faces a difficult task: to produce students qualified to run a rapidly changing society without sacrificing traditional values. Kathleen Bishtawi reports.

Islam gets top priority in schools



The Zayed Institute of Learning at Al Ain

Terry Kirk

AS THE people and government of the UAE become increasingly aware of being a minority in their own federation, there is a greater sense of urgency and concern over the development of the limited human resources they have. The UAE school system carries an enormous responsibility in providing not only the under-secretaries and diplomats but *also the middle management and technicians of tomorrow*. At the moment UAE citizens only constitute 4 per cent of the total workforce, and the literacy rate among nationals, like the population itself, is a State secret.

In the past year it has also become increasingly apparent that the UAE is becoming concerned about the moral and political calibre of the students emerging from the school system. What is the point, it is asked, of spending lavishly on producing a graduate who turns out steeped in Western consumerism, removed from Islamic traditions and culturally in a state of total disorientation? Nor are the authorities interested in producing a breed of rabid Arab Leftists, or religious fundamentalists unacceptable to the political structure of the UAE.

Concurrently, the Education Ministry is also co-operating with the Defence Ministry to introduce military training in the schools. "I don't want a soft society," says Education *Minister, Said Salman.* "I want to create a citizen who is morally, mentally and physically strong."

Such are the driving philosophies pervading the corridors of the Education *Ministry today. Top priority* at the moment is a return to the traditional base of Islam in the curricula.

"This country has to import everything," says Salman, "everything, that is, except education." That, he believes, should be firmly based on the concepts of Islam, nationalism and the UAE constitution. *Since he took over the educational reins* the Minister has been putting his policies into action. Foreign observers have noted the active promotion of Islamic sentiments among the university student factions, and a number of professors have had their contracts terminated for being too "liberal" in their thinking. "I must have men *who understand me and base* their teachings on the Islamic traditions of our country," explains Minister Salman.

Other symptoms of this Islamicisation drive are statements by the Minister of his *intention to oblige the private* schools in the country to segregate the sexes. The international Western institutions will be exempted, though the private Arabic speaking schools are likely to feel the new wind of Islamic fervour.

Careful vetting

In the State schools Islamic studies have been moved to the more receptive morning periods and physics and chemistry to the afternoon lessons. There are also indications that applicants for teaching posts are being vetted carefully to test their knowledge of the Koran, which has led to the exclusion of a number of possible good teachers and *non-Moslem* Arabs.

So the authorities appear to be *seeking more predictable* "value" for the money which is poured into the education pot. Education has always been high on the federal Government's expenditure priorities second only to defence, and last year's budget alone was $320m. Yet the sector is still a growth industry, for education in the UAE is barely as *old as the federation itself.*

A great deal has been accomplished during that time in terms of building up a structure which can handle the influx of children. Today the UAE Government schools are *handling around 96,000 pupils,* three times the number of 10 years ago. Some 250 schools have been built all over the country bringing education to the most remote desert areas of the country—an exercise which probably only an oil state could afford. Naturally, all the time the facilities have to be duplicated, providing separate schools for boys and girls in accordance with Islamic customs.

The growing population of the country has meant that the Ministry is most likely to have to continue on a constant expansion programme, not only to cope with the 3.5 per cent growth in nationals, but also the children of foreign Arabs who *make up some 30 per cent of* the total intake.

The UAE education system is a highly visible structure, and foreign advisors and observers often criticise Ministry programmes as being too *orientated towards quantity* and overtly concerned with the hardware rather than what goes into them. Expensive language laboratories are built, and inexperienced teachers are put in them to run them.

De luxe though the system may be, it is still racked with problems, though many of them stem from unrelated social phenomena, rather than any fault of the educational establishment itself. First, UAE schools rely heavily on foreigners for their teaching staff; in 1979 there were only 361 UAE nationals in the teaching profession out of a total staff complement of nearly 5,500. Of these the bulk were girls, for teaching remains one *of the few acceptable careers open to them; for the boys,* the attractions of business or the army provide more lucrative options. The input of nationals into the profession is actually going down.

Drop-out rate

Secondly, it is likely that the education a UAE child receives will come from an Egyptian or Palestinian teacher whose only aim in being there is a remunerative employment contract. Compared to those in their own countries, teachers' salaries are high, but in the UAE they may have to resort to outside afternoon work in order to survive financially.

Many experience disciplinary difficulties in their classrooms in the face of often arrogant sons of rich UAE citizens, so much so that last month the Ministry was forced to institute a national code of punishment into the classrooms to cope with obstructive behaviour.

However, the drop-out rate is the most worrying concern in UAE education today. The first report on this outflow of pupils came in 1976 when it was discovered that out of a poll taken of 1,000 male students who enter the first grade of elementary school, only 365 *complete the 12 years.* For the girls it is 490, which overall works out at an average drop-out rate of 57 per cent. The repetition rate is also extremely high, for out of the 1,000 students studied, only 23 made it to secondary school without repetition (for females the figure is 62).

Another worrying trend is the decline in the number of entrants to technical and vocational schools. When technical educational establishments were first established some 258 nationals entered the schools, but by 1977 the number was *down to 170, and last year* the number of entrants still did not even come up to 1972 levels. In the agricultural studies sector the number has dropped from 40 to 8 during the same period, and this gloomy picture is mirrored in all other vocational fields.

The University of Al Ain, the apex of the educational system in the UAE, is also still seeking out its niche in the society and academic structure. One of the most significant moves last year was an announcement by the Ministry that UAE nationals did not have to score as highly in *the entrance* exam as applicants of foreign nationalities, a factor which observers see as an ominous signpost for future academic standards of this still developing university. In all other aspects, the Al Ain campus is exhibiting all the characteristics of a young university; its students are seeking to form a union and politics has predictably reared its head both in and outside the classroom. The girl students too have not been inactive in campus and political affairs, and promise, by their sheer numbers, to lead the way to *greater emancipation of UAE* women in future.

From pearls to oil wells

"IN THE face of facts it does not seem unreasonable to hold that if the pearl banks were *to fail, this coast would shortly* be depopulated," wrote J. G. Lorimer, a member of the Indian Civil Service, after a visit to the Trucial States in 1905 in search of material for an official handbook, the Gazetteer of the Persian Gulf.

India, the traditional market for Gulf pearls, had under the British Raj of the 19th century a growing consumer society craving for such luxury goods.

In the Trucial States and the hinterland the people had grown accustomed to the yearly increasing profits they derived from pearling. In Sharjah, *Dubai and Abu Dhabi and to a* lesser extent in the other ports, a rapid urbanisation process replaced the economic pattern of earlier decades.

Previously the main economic assets of the area's inhabitants had been their camels which provided milk, meat and hides. They were beasts of burden and they were also bred for sale *abroad. And their date trees* provided them with a durable staple diet. Like fishing, pearling was then pursued by some members of the tribe, usually as a profit-sharing co-operative in jointly owned boats, to supplement the cash income.

The introduction of Japanese cultured pearls to the markets of Europe and America, coinciding *with the world economic* crisis in the early 1930s, caused the collapse of the pearling industry in the Gulf. But the social order which had developed to suit the pearling industry in the urbanised population centres remained a feature of the sheikhdoms on the Trucial Coast, even more so because some of the merchant families were able to augment and perpetuate their influence by intermarriage with the ruling families which put *them on equal terms with the* leaders of bedouin tribes.

Apart from this urban, materially orientated stratification, society on this coast has always been based on tribal affiliations and on the requirements of the bedouin and the oasis cultivators.

After a British naval campaign against those who had used Ras al Khaimah as a base from which to disturb other Arab and British trade in the Gulf, the first treaty was concluded in 1820.

For a century, Britain at times monitored from a distance and at other times directly influenced political developments in the area, but endeavoured to keep aloof from all inter-tribal *disputes in the hinterland.* During this period the recognition by the British Government of India of the Sheikhs in the *established coastal communities* as Rulers further enhanced the economic domination of these towns over the bedouin communities of the interior.

Since then the human environment has been totally transformed in material terms from a subsistence economy which was common to almost every family in the post-war period to a situation characterised by access to almost any commodity or service which the markets *and institutions of the world may* offer. The political environment changed too; people used to look to their ruler's modest coral stone and mud-brick forts for the solution to controversial issues, this was the seat of government through which any foreign assistance was channelled, and jobs with the foreign oil companies were allocated.

Ruler's court

Today, people turn to "the Government" for a multitude of services which they can now expect. "The Government" *usually means* the Federal institutions of the UAE, but this complex and delicately balanced federation also leaves room for the seven local authorities to develop further their own individual emirates.

Despite such radical changes, the social order of earlier decades still provides the main elements in the UAE's social and political structure today. Each Ruler's court is still the place for personal contact between government and citizen where one sees practical grassroot democracy in action.

As other opportunities for public discussion gain greater importance, such as in the National Assembly and in the Press, people's involvement in politics at the regional level remains an important asset for the federation.

The merchant middle class of the heyday of the pearling industry is still participating in trade and commerce in the seven emirates of today. It continues to share with members of the ruling families and the *sheikhs* of beduin tribes in providing an elite from which the political institutions and the administration draw much of the manpower.

Frauke Heard-Bey

Dr. Heard-Bey is author of the book From Trucial States to United Arab Emirates to be published shortly by Longmans.

Britain played vital role in formation of the emirates

THE FIRST time all the rulers of the Trucial Coast gathered together was in 1905 when Shaykh Zayid bin Khalifah of Abu Dhabi called a meeting to solve some of the outstanding differences between them. The meeting attracted practically no attention outside its most immediate vicinity. Today, 75 years later, the descendents of those rulers constitute the basis of the United Arab Emirates, and their meetings are recorded far and wide.

The people of the Gulf have been renowned since antiquity as skilled seamen and able traders; but it was during the period between the ninth and 15th centuries that the Arab coast of the Gulf reached its zenith as a major entrepot for goods, as well as a powerful strategic, communications, trade and financial centre.

With the entry of the Portuguese during the last years of the 15th century, the Gulf region became exposed to foreign penetration because of its enormous strategic importance on the route to India. During the next 400 years, the history of the region became inextricably linked with the political and commercial rivalries of Western countries: Portugal first, then Holland, France and England. It was the latter country that was to wield the greatest single influence on the Arab coast of the Gulf during the 19th and the first half of the 20th centuries.

The British connection with the Trucial States can be said to have formally started in 1820 when the General Treaty of Peace was signed by the tribal chiefs of Abu Dhabi, Ras al Khaimah and Ajman. For the next 100 years or so, successive treaties gave the chiefs and their descendants an aura of stability and authority that grew with time, for their responsibility to fulfil their treaty obligations to Britain made for a gradual continuity both in their positions and in the land they controlled.

An evolution therefore came about whereby the chiefs became rulers, and the areas over which they exercised jurisdiction became emirates. Both elements were upheld by treaty commitments to Britain whose overwhelming concern for the safety of the route to India sought to exclude any other country from entering the region. Throughout the 19th century, Britain reinforced the separate identity of each chief and his territory.

The advent of the oil companies in the 1930s marked another new phase in the political life of the UAE, for it was then that the oil concessions were first signed with the rulers. Although the payments made were infinitesimal by today's standards, they allowed the rulers to be financially independent for the first time. Previously they had had to rely on customs dues and the various pearling taxes for a large fraction of their incomes.

The power base of the Trucial States was made up of two main tribes: the Bani Yas and the Qawasim. The Bani Yas, to which the rulers of Abu Dhabi and Dubai belong, have by tradition been a land power. By contrast, the Qawasim, the rulers of Sharjah, were a great seafaring tribe until the mid-19th century when the many treaties with Britain largely contributed to the decline of their power and prestige.

One manifestation of this decline was the seccession of large parts of Sharjah and the creation of independent emirates with British recognition. Ras al Khaimah and Fujairah seceded in 1921 and 1952 respectively: the ruler of Ras al Khaimah is a Qasimi, that of Fujairah a member of the Sharqiyy tribe.

The rulers of the remaining emirates, Ajman and Umm al-Qaiwain, belong to the Naim and the Al-Ali tribes respectively.

The corresponding rise of the Bani Yas was marked by the rise of Zayid bin Khalifah of Abu Dhabi, the most powerful of Trucial rulers at the turn of the present century, who extended his authority over a number of inland tribes previously loyal to the Qawasim. Likewise, the Bani Yas of Dubai, who had seceded from Abu Dhabi in 1833, contributed to the development of their small city state as the principal entrepot of the southern shores of the Gulf.

The rulers of the two places have, by tradition, been unfriendly towards each other. A ruler of Abu Dhabi, particularly if strong, has always been essentially a tribal leader, a man to command the nomadic and settled tribes scattered throughout his state, the largest of the UAE; that of Dubai has been an astute merchant prince concerned with the commercial benefit of his town.

Traditional craft: repairing a dhow in Shindagah village, Dubai

Dhabi in 1958, the internal balance of power within the Trucial States did not change much. Abu Dhabi was known to have the largest petroleum deposits: and correspondingly it became the richest. Dubai continued to develop steadily as a commercial centre and during the 1960s experienced its first major boom; concurrently, therefore, and by its own boot-straps, so to speak, it became almost as rich as its main rival. The discovery of offshore oil during the past decade has only increased its wealth.

Thus Abu Dhabi and Dubai continue in the tradition established early this century as being the most important of the emirates, with a corresponding growth in the disparity between them.

Sharjah has comparatively small oil reserves and ranks third, as it did during the first half of the century, despite efforts by its present ruler to restore the emirate to the level of is golden age.

A distinctive feature of the history of the UAE is the frequency with which its rulers were challenged by ambitious members of their own families in unmasked struggles for power. The main reason for this has been the absence of the law of primogeniture or of any other fixed procedure for the peaceful succession of rulers.

The struggle for power became a characteristic feature following the death of a ruler, and could last for several years. To survive, the new ruler had to display courage, power, justice and generosity; not to do so could mean that a member of his own family would either kill or displace him.

So prevalent has this challenge to power been that it was in Dubai alone that all the rulers for the past 150 years died a natural death; the disruption to commerce in that place was probably the deterrent factor, although the hostility of his relatives could place the ruler of Dubai in an inferior position as it did during the Reform Movement of 1938.

Since the creation of the UAE only one ruler has been killed. In 1972 Khalid bin Muhammad al Qasimi of Sharjah, who had himself deposed his cousin Saqr bin Sultan in 1965, was murdered by that same cousin. The newly formed federation, however, nominated Khalid's brother Sultan as the new ruler.

To have allowed Saqr bin Sultan to succeed in the old manner would have exposed the UAE to more than the disruption of its commercial well-being. The international dimension had become a new and vital factor in the internal balance of power.

Rosemarie Said Zahlan

The writer is the author of The Origins of the United Arab Emirates, published by Macmillan, and of The Creation of Qatar published by Croom Helm.

Unsure hybrid

CONTINUED FROM PAGE 1

are any guide, the UAE is beginning to sustain a recovery from the recession which lasted for about two years from the middle of 1977. The Gross Domestic Product growth rate in 1977 was estimated at 4.4 per cent, a good deal below the boom year rates of above 20 per cent between 1974 and 1976.

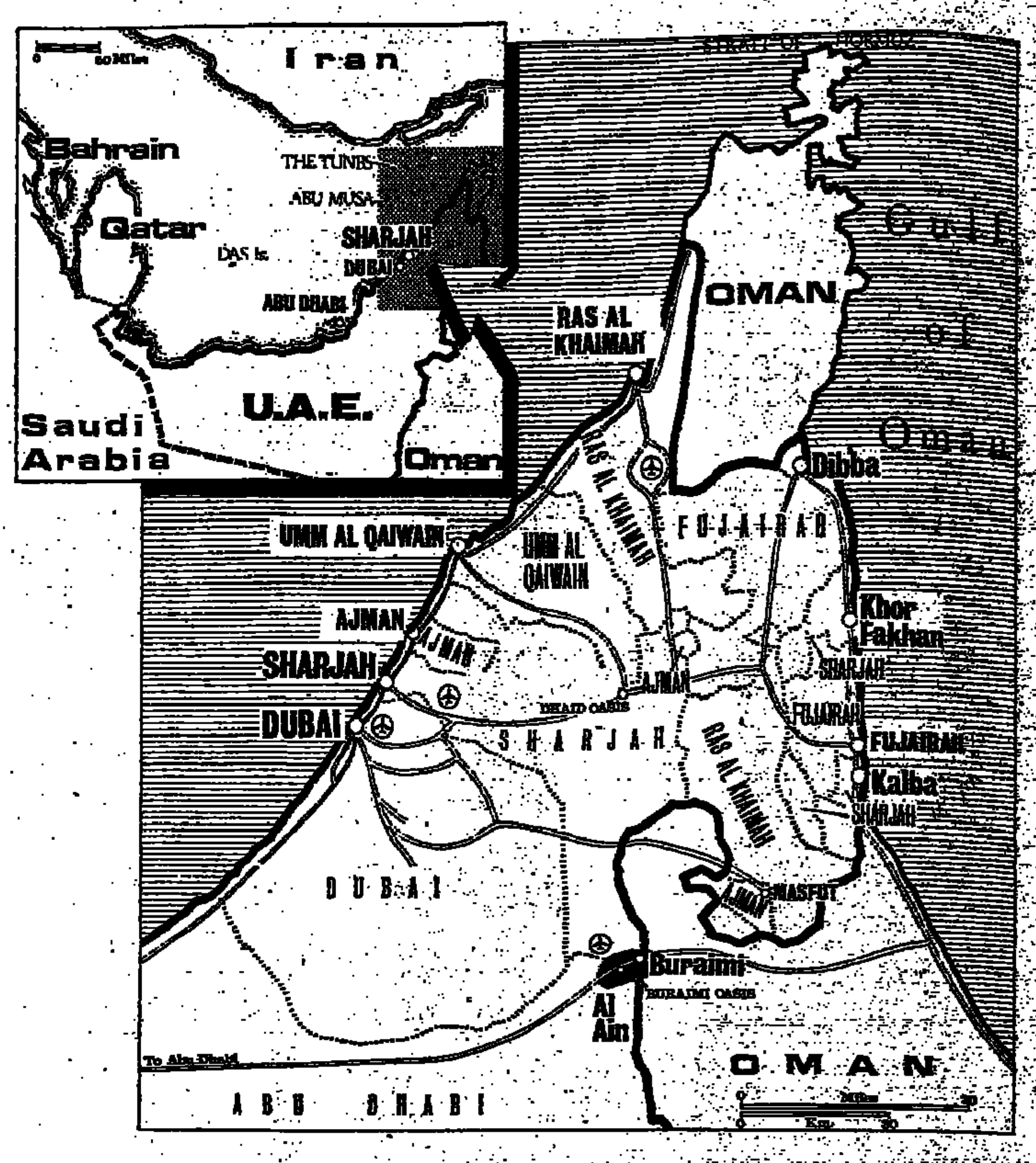
In 1977 the surplus was Dh1.62bn dirams ($435m) but this had risen provisionally last year to Dh 10.93bn ($2.9bn); with the rise in oil prices earnings this year could be well over $20bn compared with $14bn last year. The UAE's foreign assets (including those not on the official reserves) have—according to Dr. Odeh Aburdene, vice-president of the First National Bank of Chicago — risen dramatically from $300m at the end of 1972 to $12.7bn at the end of 1979; investment income, which comes on top of oil earnings, has risen over the same period from $20m to $1.27bn.

Although this represents an enormous growth in wealth (in artificial statistical terms local national per capita income must be well over $106,000 a year) the federal authorities are well aware of two factors. The first is that the UAE consists of several economies—hence Mr. Ghanem's anguished cry. Secondly, as the Shah's overthrow demonstrated, government expenditure—no matter how lavish and well intentioned —provides only part of the answer to political stability.

The federal budget has three particular features this year. The first is the increase in its size: from Dh10.1bn in 1979 ($2.7bn) to Dh16bn ($4.3bn), a rise of nearly 60 per cent. Actual budget expenditure has been rising from 67 per cent in 1978 to 83 per cent last year. The second is that as usual, "sources of revenue" are divided between "the emirates" — Dh15.8bn ($4.2bn) — and the rest.

In other words, while in the past Abu Dhabi supplied its usual 98.7 per cent or so, there has been the pledge this year that Abu Dhabi and Dubai will each provide 50 per cent of their oil revenues towards the budget.

The third feature is the size of the allocation for investment projects: largely for the more dependent emirates such as those in the north-east of the UAE. These are to total Dh1.9bn ($510m), a rise of 64.5 per cent over the 1979 allocation of Dh1.2bn ($310m).



The share of new project rises more than tenfold from a mere Dh48.4m ($13m) to Dh545.6m ($146.6m), but the bulk of expenditure will go on projects already under construction — rising from Dh1.1bn ($300m) to Dh1.4bn ($400m).

The financial unity of the UAE will remain incomplete until a central bank is established. A Bill providing for its creation was first proposed back in July 1978.

The UAE Currency Board has in the past proved incapable of preventing the renegade establishment of banks in Dubai — and also to prevent the May 1977 bankign crisis involving the Janata Bank of Bangladesh and the Ajman Arab Bank. It has not really had adequate weapons to regulate liquidity and the provision of credit so as to direct it into more productive sectors than property and the like. Bank credit in March was still distributed as to 36.6 per cent for trade and 30.2 per cent for construction.

In addition, the central bank would have to take over from local governments what they see as their exclusive right to dispose of their funds as they —not federal officials—want.

Officials are confident that the central bank will be set up but the problem appears to be to determine who should be the chief figures—and not so much the governor himself. The front-runner for this position appears by general agreement to be Sheikh Surour bin Mohammed, the Chamberlain of the Presidential Court.

The establishment of this bank is crucial, not so much for relping to run the day-to-day economy but for the longer term. It is now understood as never before that by and large the basic primary infrastructure of the UAE is in place—with the obvious exceptions of electricity and water in the northern provinces. Decisions have become more difficult and need closer overall co-ordination. A firm central bank would have a vital role in this, even though it might have difficulties in dispersing a joint inflow of funds from Abu Dhabi and Dubai.

Above all—and this fact cannot be overstressed—a coherent immigrant labour policy needs to be established which takes into account projected economic growth rates, genuine development requirements, and above all nationalistic reaction. But there still appears to be an attitude among some rulers that the greater the number of projects the better—without any concern for the syndrome — which one international economist has described as the multiplier effect — that has become all too familiar in the Gulf countries. "The mason who is needed to build the house of the teacher who teaches the son of the technician who helps build the port that is needed to bring in the food to feed them . . ."

Some genuinely fear that the UAE will lose its basic identity —and that to retain it only a dramatic reversal of even the current economic growth rate will provide the solution. The UAE is an anomalous federation as it is, without becoming increasingly one which retains ironically a majority of local nationals only in its more outlying, poorer and less influential emirates.

The malaise afflicting British tennis

BY JOHN BARRETT

THE START of the championship meeting at Wimbledon today will release a wave of tennis mania. Apart from the 340,000 or so spectators expected at the enlarged and much improved grounds, to be fed a rich diet of set-points, sausage rolls and strawberries (the latter at inflated prices) millions more at home and overseas will during the next two weeks pay homage via television to the greatest tennis show on earth.

Yet the recent report of a Committee of Enquiry headed by Mr John Smith, chairman of Liverpool Football Club, finds that behind the glittering facade of Wimbledon (which gets a pat on the back), the game is stagnating in Britain. This can be deduced from the sales of tennis balls. Whereas continental Europe has enjoyed an annual growth of 15 per cent per annum over the past five years, the growth in Britain has been under 2 per cent p.a.

It is estimated that there are about 1m adult players and 250,000 juniors in Britain, including club, school and "park" players. This is far smaller proportion of the poulation than in the U.S. which has about 23m players. France has about 1.5m.

If British tennis is to be revitalised there must first be:—

- A total re-think by all national tennis bodies of their priorities for the game. The main ones should be:
- Professional management of the Lawn Tennis Association,
- More indoor tennis centres, and
- More income created from various sources, including sponsorship.

The recommendations of the Smith Committee and a look at what is happening in France and the U.S., where the game is flourishing under enlightened management, may show how to revitalise the British game. The Smith report calls for the appointment of a chief executive of the LTA who, with a small executive committee, would administer the game on a day to day basis. This structure would replace the present unwieldly council of 75 members, many of them elderly, elected from the counties and affiliated organisations.

In France, where tennis is growing faster than in any other European country, a drastic re-organisation of the French Tennis Federation was carried out some seven years ago. The old guard were replaced by a dynamic young team, most of them ex-internationals, under the leadership of M. Philippe Chatrier. He is still in office.

The U.S. Tennis Association is the best organised and busiest governing body in tennis. It has a full-time executive director, Mr. Rick O'Shea, 42, a high-powered operator with a background in publishing, broadcasting and commerce. His previous job

Money is central to the plight of British tennis

was executive director of the Young Presidents Organisation in New York, an exclusive body representing 3,600 young corporate presidents.

The American game, like the British, is governed by a national association of amateur administrators who employ a paid secretariat. The Americans have shown that in their view tennis has become big business and needs to be run professionally. This is a basic lesson which Britain would do well to learn, even if some of the older, less adventurous LTA councillors find it hard to accept. A fundamental change of attitude is required.

The Smith Committee recommends that there should be … "partnership schemes between local authorities and commercial enterprises with a view to developing specialist indoor facilities." It then urges the Government to persuade local planners of the need to re-develop existing clubs and to provide new facilities.

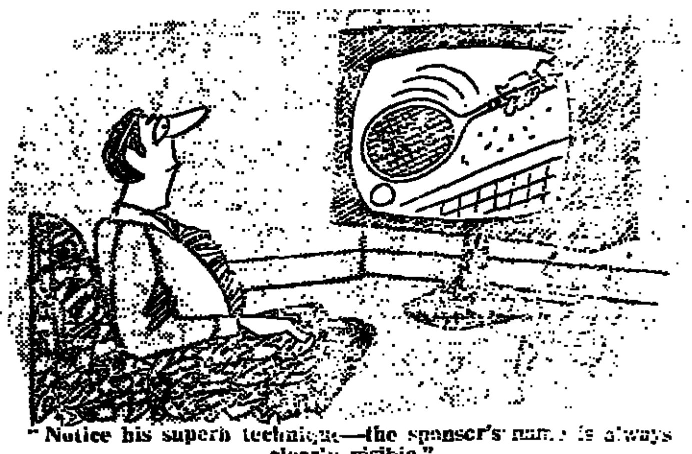
Here is the heart of the malaise in British tennis. Local authorities have concentrated on providing costly sports centres and have shown pig-headed reluctance to allow the creation of privately owned indoor clubs. Inevitably tennis is a minority sport at the centres, because it requires more space per player than do sports such as badminton and basketball.

Planning permission has been almost impossible to obtain even for the inflated air domes for indoor tennis.

Some years ago Stanley Matthews, junior, a former British junior champion and an American backer formed a company to erect air halls at clubs. The clubs were enthusiastic, but after a year not one hall had been erected, thanks to the planners. The company was wound up. I have personal knowledge of two other schemes for permanent indoor facilities—both at existing clubs—which were turned down.

If the Smith Committee achieves nothing more than a change of attitude among the planning authorities, its work will not have been in vain. The future health of the game in Britain entirely depends upon the creation of new indoor facilities.

Until they exist, tennis in Britain will remain an outdoor summer sport. Once the club player has experienced the joy of playing in the sort of comfortable, warm, well-lit surroundings enjoyed by his Continental and American cousins, the game will obtain a new lease on life. If the conditions are right people will pay



"Notice his superb technique—the sponsor's name is always clearly visible."

the going rate—which may mean up to £12 an hour at peak times in the popular centres.

Apart from six ambitious schemes that I know of at the moment, there are interesting prospects opened up by the formation of a new company devoted entirely to the provision of indoor tennis and squash facilities. Cavendish Leisure is an amalgam of the sporting expertise of the Dunlop group; the financial strength of Commercial Union Assurance; the building knowledge of Sir Robert McAlpine; the retailing experience of the Debenham Group and of Carter Harley Hall, the U.S. store group; and the catering knowhow of Watneys. Cavendish is currently looking for a suitable site on which to build its first centre.

Once tennis in Britain has become an all-year game it can attain lift-off. The lessons from America and the Continent clearly show that the quality of coaching, the involvement of juniors and families, the expansion of local tournaments and competitions—all depend on year-round facilities. Only when they exist in Britain can some of the other recommendations of the Smith Committee take full effect. These include: the appointment of a director of Coaching who would encourage past international players to remain in the game; the appointment of regional development officers who would co-ordinate the use of all local facilities in their area; and the promotion of the game in schools, through greater co-operation between the county LTAs and the local education authorities. Other recommendations are promotion of short tennis (mini-tennis played with a sponge ball) in primary schools and youth clubs as a means of introducing the young to the game; the greater use of parks facilities through the formation of clubs; and the holding of local competitions.

Money, or rather the lack of it, is central to the plight of British tennis. The main source of income of the LTA is Wimbledon and although the championships gross close to £2m each year, the surplus, after deducting prize money, running expenses, and planned building improvements averages £350,000.

By an agreement of 1922 which was renewed in 1934 and 1954 and expires in 1999, the LTA and the All-England Club are bound together in an uneasy alliance. A joint Championship Committee consisting of 12 club members and six from the LTA runs the tournament and the LTA gets the annual surplus to run the game in Britain.

The All-England Club is reluctant to agree to a full commercial exploitation of the championships, partly to preserve the garden party atmosphere and partly because it is critical of the inefficiency of the LTA. A greater surplus, it argues, would simply be pouring good money after bad. The Smith committee said that something up to £500,000 might be raised annually by permitting a controlled expansion of sponsorship, provided the money was devoted to building one indoor tennis centre a year.

The LTA is severely criticised with some justification for failing to explore other areas of income. The players' contribution scheme—a levy on all members of clubs affiliated to the LTA—currently stands at 20p and realises a meagre £77,000. The Smith Committee say the levy should be £5 for adults and £2 for juniors under 18.

The French exploitation fees of £4 and £2 produce approximately £3m annually from the 77,… registered members and the French intend to raise them next year. In addition, the French championships this year will provide a surplus of approximately £1.5m for French tennis.

In America, the CBS TV contract for the U.S. Open is the cornerstone of the U.S. Association's income. At present however, the fees go towards paying off the loan on the National Tennis Centre which was opened at Flushing Meadow, New York, two years ago. The main source of day to day income is through membership of the USTA—a non-profit organisation which takes advantage of America's tax laws to encourage donations. Individuals who wish to participate in any sectional tournament must first join one of the 17 sectional associations. Life membership costs $200, annual adult membership $13, junior membership $6, and family membership can be obtained for $25.

The Smith Report criticises the LTA for devoting too much of its resources to the upper echelons of the game. At the same time the report is scornful of the performance of British men players in international competition. With three British women's singles champions at Wimbledon since the war, there is less criticism of the women's game.

Since the war, the Wimbledon men's singles title has been won

Champions are born and not made

by representatives of only six countries: the Americans have produced 12 winners, Australia seven, Czechoslovakia two, and France, Spain and Sweden one each.

Those who complain that no Briton has won since Fred Perry in 1934, 1935 and 1936, should remember that no Briton had won before him since Arthur Gore in 1909. They might also ask why no Swede was successful before Borg, or no Spaniard before Santana or why no-one at all from Italy, Germany or Holland where the game is booming, has ever won. I suspect that at this highest international level success has little to do with national training schemes.

What matters more for the health of the game is the depth of the competition across the age ranges — in other words the amount of tennis being played in a country. In America the competition is fierce at every level of the game. The U.S. college system provides a natural development vehicle for the best junior players who enjoy excellent facilities, good coaching and further carefully graded competitive opportunities.

The USTA, unlike European governing bodies, has no need for a national training scheme. It simply selects junior Davis Cup and Wightman Cup squads to compete in a series of tournaments under the guidance of a captain/coach.

Small wonder, then, that America leads the world. A glance at the current Association of Tennis Professionals rankings shows that approximately half the top players: men and women, in the world, are Americans. Among the men the top 50 include 24 Americans, eight of them in the top 10.

It is similar among the women. Ten nations are represented in the top 50, and 31 of them are Americans — 32 if you include the newly-naturalised Martina Navratilova.

The current Wimbledon champions, Borg and Miss Navratilova, who will be hotly assailed in the next two weeks, are fine examples of a basic truth that champions are born and not made. However effective the Smith report proves to be in revitalising the game in Britain, do not expect a sudden rash of British world beaters.

What it should and must achieve is a basic reorganisation of the game to allow future generations to grow up in a vigorous environment where opportunities exist and success is rewarded.

Letters to the Editor

Tax on bank profits

From Mr. J. Clayton

Sir,—Ian Morison's formula (June 17) for rebutting Anthony Harris's case (June 12) for a special tax on bank windfall profits is suspect: capital employed by the "big four" banks increased, last year, by nearly £1bn—largely due to the windfall profits.

A more objective appraisal is attained by relating the escalation of bank profits—during the decade since their "true" profits were first published—to that of commercial/industrial profits and of inflation. Between 1969 and 1979, profits of the "big four" rose almost ten-fold, commerical/industrial profits 2½-times and UK inflation 3½-times.

Bank profits increased by more than 50 per cent last year and—average base-rates being some 35 per cent higher this year to date, as compared with the like period last year—another leap in bank profits, this year, seems likely.

Such a mulcting of every other sector of the economy—including Government—is outrageous and intolerable.

Surprisingly, Mr. Morison did not adduce (although he hinted at) the one valid argument against a fixed formula for taxing such windfall profits: a sharp reduction in minimum lending rate and base-rates could decimate bank profits.

That is why, in my view, Nigel Lawson was right (June 4) to avoid the turbulence of seeking to divest the banks of their windfall profits, by legislation. But such an intolerable injustice can no more be ignored than in the cases of excessive TV and oil profits—each now subject to special levies, as well as normal taxation.

Fortunately—as regards bank windfall profits—there is a simple, flexible, mode of correction; by way of supplementary special deposits — which are interest-free. My suggestion is that a tranche of supplementary special deposits be imposed for this purpose—say £3bn to £5bn initially; to be reviewed quarterly.

Not only would that curtail unjust bank profits; it would also, in effect, transpose part of the public sector's indebtedness to the banks into an interest-free loan. At a stroke, it would cut public expenditure and neutralise a large chunk of the public sector borrowing requirement: thus curbing inflation—the Government's first priority.

Jack Clayton.
Beckside Cottage, Orton, Penrith, Cumbria.

Best paid posts

From Mr. R. Addis

Sir,—Michael Dixon writes (June 17) about the "best paid staff posts in City banking" and records salary figures for a number of "middle-management and junior staff" jobs. He notes that, to arrive at the full remuneration package, one would need to add around 40 per cent to the sums quoted.

In the light of his assessment that a loan manager can be paid up to £36,000 without fringe benefits being included one wonders what, on this basis, senior managers and directors in the City may now aspire to.

In fact I suggest his presentation, in its paucity of background explanation, serves more to misguide than to inform.

R. T. Addis
Tyzack and Partners
10 Hallam Street, W1

Pacemakers on pay

From Mr. A. Ferguson.

Sir,—I would not agree at all with Sir Maurice Hodgson's comments reported on June 12. It is the responsibility of large firms such as ICI to adopt a national role. Their rates of pay are probably the most frequently quoted ones within the industry and what ICI does is some kind of indication to a good many other companies who also feel they have to remain competitive.

ICI is an excellent company and I am glad its productivity is improving as indicated but there is a great difference between setting a pace and paying the going rate. Whether Sir Maurice Hodgson likes it or not, ICI is very much a pacemaker with regard to earnings and conditions both in and out of the chemical industry. Pacemakers in these items are not what the country needs right now and if the Prime Minister is to tighten the screws on the civil service, she needs every bit of support she can get from all of Britain's companies, large and small, and most certainly including ICI.

A. L. Ferguson,
4 Burns Court, Marine Parade, Dawlish, Devon.

Top men and tax

From Mr. W. King

Sir,—During the debate in Parliament on the implications of Lord Boyle's top salary review body the Prime Minister said "there would be no big public sector pay awards" and to drive the point home further she underlined her comment by stating "there was no way to get away from it."

But there is and I believe it has been got away with. Regrettably, however, for top British executives who strive to the top of British commerce both in the public sector and in private companies and still quite honourably prefer to live in the United Kingdom it seems they will be unable "to get away from it."

More than six weeks ago I first wrote to the Prime Minister in regard to the unusual appointment of Mr. Ian MacGregor announced by Sir Keith Joseph. The reason for this piece of head-hunting was quoted as being "that you had to get the best man for the job." I made the point that senior British resident executives who could have also been "the best men for the job" would find the net salary they received after tax as much as 50 per cent less than a foreigner who had no liability for British tax on the same scale. The arrangement with Ian MacGregor could make it impossible for any British naional with his home and life in the UK to obtain the same net return.

This is surely opening the doors to a whole variety of foreign nationals to take over senior management of British industry because of the vast tax advantage they would have.

I am not convinced, unlike Sir Keith Joseph, having seen international senior management at work around the world, that, in principle, any other country produces better top men than we do. The plus the foreigner has, whether he works here or in his own country, is tax saving. Proving to the Prime Minister there is a way to get away from it … if you are a foreigner.

Wilfred King.
17, Hargate Close, Tunbridge Wells, Kent.

Learning from Japan

From Mr. D. Monk

Sir,—I was very interested to read your leader (June 12) under the heading "Learning from Japan." I note your comments that "some Japanese ideas, such as 'quality circles' are already being introduced" … at Ford of Europe.

I am anxious to see quality circle activities develop rapidly in our industry, since this concept introduces the fundamental changes necessary in our attitudes to each other as workers and managers. In my experience, it is in the area of consensus management that there can be great advantages to be gained from the Japanese. Quality circles are about people—a people—building exercise, not a people-using one. For too long we have ignored the expertise of the worker and his desire to see the company succeed. We need to emulate the Japanese in involving everyone in the decision-making process.

In my experience, members of quality circles, who are the people at the grass roots of our enterprises, are keen and anxious to contribute to the problem-solving activities. They are willing to change their attitudes—it is management who are unwilling to change. Time and again, in discussion with circle members, we come up against the fact that management will not listen to the problems, will not ask for help in the solution of problems and are not prepared to change. The comment on the discussion raised by Mr. Bill Hayden, vice-president of manufacture for Ford of Europe, is that unions must accept change. True, but please, can management accept change too? If they do not, we shall not survive.

The Japanese are people and have the same failings as we do, but they work together as a team. Quality circles work in Japanese factories in this country just as well as in Japan, because management have changed their attitudes. Let us seize our chance now—tomorrow may be too late.

Derrick Monk
(Senior Lecturer in Management Studies)
Derby Lonsdale College of Higher Education, Kedleston Road, Derby.

Transport subsidies

From Mr. D. Aston.

Sir,—Urban public transport supporters throughout the UK will surely have been tremendously encouraged by the comments in your leader (June 18) on London Transport. Your leader-writer, however, appears to miss what must be the really clinching argument for increased subsidies. During business hours in central London motorists overwhelmingly drive and park company and business cars. Under current rules where they also have private use (which includes commuting) they receive individual tax subsidies worth at least £500 pa and often a great deal more if they drive real gas guzzlers. This subsidy is worth at least 10 times that available to each regular London public transport user and the gap is even wider in provincial cities.

Both the present financial and physical arrangements in central London and in other city centres seem to be a device to enable those who waste fuel and space to persecute those who save them whether as pedestrians or public transport users.

D. Aston.
Polytechnic Commerce Centre, Birmingham.

Inaccurate tax assessments

From Mr. S. Penwill.

Sir,—Although Mr. Christopher (June 18) appears not to like accountants, without whom the work of the Inland Revenue would be considerably harder if not impossible, there was nothing in my original letter to suggest that the only serious work relates to Schedule D.

Mr. Christopher should state what proportion of Schedule E payers receive assessments. He should know very well that there is actually a very small percentage who do so, and apparently some 27 per cent of those are inaccurate. It is this in addition to the continual inaccuracy of coding notices, which leads me to think that the revenue staff cannot read the tax returns submitted. If Mr. Christopher wants cases I can supply them.

With regard to his last paragraph I will not fascinate him with political reasons with which I do not want to become involved, but merely refer him to accelerated capital allowances, and stock reliefs. He cannot blame accountants or businesses for those: they were given by Parliament.

S. W. Penwill.
158, Fenchurch Street, E.C.3.

Incredibly understated

From Mr. J. Talbot,

Sir,—I ca nassure the general secretary of the Inland Revenue Staff Federation (June 18) that very many accountants spend much of their time dealing with Schedule E assessments.

Some years ago, during a meeting at Somerset House while discussing errors in tax assessments of all kinds, I was asked by the then chairman of the Board of Inland Revenue what proportion of assessments in my experience required correction, to which I replied "About one in two." The chairman expressed incredulity, whereupon my three or four colleagues were asked for their views. They said that I had, if anything, understated the proportion of inaccurate assessments.

J. E. Talbot,
Verdley Down, Midhurst Road, Fernhurst, Haslemere, Surrey.

Today's Events

GENERAL

Mr. Roy Hattersley, Shadow spokesman on Environment, at Glasgow Central by-election meeting.

Sir Rupert Mackeson on charges of dishonestly procuring the execution of valuable securities, Bow Street Magistrates Court, London.

Statement on report on moves for Church Unity.

Members of the National Brassfoundry Association to lobby MPs at House of Commons on imports threat to the industry.

Sir Peter Gadsden, Lord Mayor of London, receives Parliamentary delegation from Mexico at the Mansion House.

Queen visits Lord's Cricket Ground for some of the Test Match.

Prince Charles reviews his Company of 1st Battalion Welsh Guards, Windsor. He later inspects works of Windsor Heritage Committee.

Venice: Second and final day of meeting between leaders of seven major industrialised nations at World Economic Summit, Venice.

PARLIAMENTARY BUSINESS

House of Commons: Supply day debate on Royal Air Force. EEC document on industrial accident hazards.

House of Lords: Magistrates Courts Bill, committee. Licensing (Amendment) (No. 2) Bill, third reading. Health Services Bill, second reading. New Towns Bill (Money), second reading. Short debate on "Green Giant" development opposite Tate Gallery.

Select Committees: Energy. Subject: Isle of Grain Power Station. Witnesses: Mr. J. Baldwin, secretary, and other members of the National Engineering Construction Committee. (Room 16, 4.30 pm.)

OFFICIAL STATISTICS

Retail sales (May provisional figures).

New vehicle registrations (May).

COMPANY RESULTS

Final dividends: E. Austin and Sons (London). Baradora Tea Holdings. Brengreen (Holdings). Brown and Tawse. James Cropper. Eastern Produce (Holdings). Elliott Group of Peterborough. Lendu Rubber Estates. Old Swan Hotel (Harrogate). Polymark International. Property Partnerships. Rembia Rubber. Whitecroft.

Interim dividends: Great Northern Investment Trust. Muirhead.

COMPANY MEETINGS

See Week's Financial Diary on Page 17.

CITY OF LONDON LUNCHTIME MUSIC

Organ recital, Jonathan Rennert, St. Michael's Cornhill, 1 pm.

Piano recital, Paul Roberts, St. Lawrence Jewry-next-Guildhall, Gresham Street, EC2, 1 pm.

SPORT

Tennis: Wimbledon fortnight begins.

Athletics: Olympic team announcement.

Bowls: Women's Home Internationals, Leamington Spa.

Racing: Brighton, Pontefract, Wolverhampton.

Cycling: Irish Health Race, Stage 3, Strasbane to Dunglor.

Evered forecasts £0.15m first half loss

FOR THE first half of 1980 customer demand at **Evered and Co. Holdings** was likely to result in average losses of £25,000 per month, compared with profits of some £20,000 last year, shareholders were told at the annual meeting.

The board said that the reorganisation plan had been drawn up to correct this situation, and would produce profits in the final quarter of the year, if budgeted sales levels were achieved—current level of order intake was 10 per cent down on that of two months ago.

The directors of this non-ferrous strip, tube extrusions, castors and wheels manufacturer said they could not forecast when the company would move back into profit, but they felt that no better action could be taken to improve the group's performance.

First half 1979 profit was £127,960 (£117,000), but the group finished the year with taxable losses of £42,530 (£319,360 profit).

Boots set to invest more in current year

FUTURE CAPITAL spending already authorised by **Boots Company** for the current year, amounts to £68.8m — an £18m increase on 1979-80.

Sir Gordon Hobday, chairman, tells shareholders in his annual review that the group will continue its investment policy, although directors will be reluctant to do so if profitability "continues to decline and the return on new investment falls below acceptable levels."

Balance sheet shows shareholders' funds of £474.3m, compared with £410m, cash and short term investments £60.9m (£98.8m), and bank overdrafts of £28.1m (£26m).

Meeting, 20, Aldermanbury, EC, on July 17, at 11 am.

Dorrington exceeds £1m

ON TURNOVER well up at £5.68m against £3.54m, pre-tax profits of **Dorrington Investment Company**, property dealer, investor and developer, expanded to £1.01m for the year ended March 31, 1980, compared with £789,000.

The directors say that although the general climate and activity in the residential property market has not been nearly so buoyant as this time last year, a good start has been made to 1980-81, with higher first-quarter sales.

The directors are confident that earnings for the year will be higher, and that increased dividends will be paid—distribution for 1979-80 is lifted to 4p (3.4958p) net per 10p share with a final of 2.1p.

After tax of £621,000 against £444,000, earnings are shown as 6.39p (5.66p) per share.

James Grant lower

A FALL from £552,000 to £514,000 in the final quarter, left taxable profits of **James Grant and Co. (East)**, house furnisher, £95,000 lower at £1.06m for the year to January 31, 1980.

Mr. Harold Oppenheim, chairman of this close company, says in his annual statement that results for the first months of the current year are well down on last time. He hopes trade in the second half of the year, when the major part of profits are traditionally earned, will recover, enabling the group to turn in a reasonable result.

However, the year could prove to be very difficult, he says.

Earnings per share for the year are shown as 20.3p (27.6p). Tax took £555,000 (£595,000) and there were extraordinary credits of £1.46m (£0.25m). Available profits emerged ahead from £0.75m to £1.94m.

Deposits and cash amounted to £1.8m (£1.06m) at the year-end, while overdrafts were substantially higher at £1.07m (£0.2m).

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Great Northern Investment Trust, Muirhead.

Finals.—E. Austin (London) Barasora Tea, Brentreen, Brown and Tawse, James Crapper, Eastern Produce, Elliott Group of Peterborough, London Rubber Estates, Old Swan Hotel, Polymark International, Property Partnerships, Rambla Rubber, Whitecroft.

FUTURE DATES

Interims.—	
Ashdown Investment Trust	June 24
Dewhurst and Partner	July 18
Jackson (J. and H. B.)	June 26
SGB	July 1
Finals.—	
British Benzol Carbonising	June 30
Crodo	June 25
Cumbria Investments	July 1
Central Securities	June 24
Moran (Christopher)	June 25
Petrofina	July 22
Tozalemit	June 24

Thomas Locker hopeful

THE CURRENT year should produce a satisfactory result at **Thomas Locker (Holdings)** in the light of present economic conditions, the group's spread of interests lending it stability, Mr. E. J. Pitchford, chairman, tells shareholders.

However, the combination of a high rate of inflation and a strong pound will make it more difficult to increase exports, he adds.

Pre-tax profits of the engineering concern fell from £2.23m to £1.78m in the year ended March 31, 1980, as reported on June 5. On a CCA basis, the taxable surplus was reduced to £0.93m (£1.71m).

The chairman says he expects Locker Wire Weavers and Locker Wire Products to show improved performances in the current year, while prospects at Locker Air-Maze, which turned in a loss last year, are much more encouraging. Locker Industries started the period with a reasonable order book.

Shareholders' funds totalled £13.53m (£13.26m) at the year-end. Cash on deposit was down from £992,000 to £674,000, but bank balances and cash were higher at £621,000 (£203,000). Overdrafts were up from £244,000 to £470,000.

Meeting, Warrington, July 17, 11 a.m.

H. Samuel to spend £4m

H. Samuel, jeweller, is to spend over £4m in the current year. This includes seven new branches which are already planned, and major alterations and improvements to a number of existing branches.

There has ben no independent professional valuation of the whole of the group's freehold or leasehold properties since 1959, but it is now estimated that the value of properties is at least £50m, which shows a surplus of £37.5m over the book value.

Mr. Ronald Collingwood, the chairman, says in his annual review that it is considered that the first interim dividend of 0.726p per share is too small a proportion of the total distribution for the year, and it is, therefore, intended to increase substantially the next first interim dividend in January, 1981, on account of the total which will be decided in the light of the year's trading results for 52 weeks to January 31, 1981.

On future prospects, he says it is extremely difficult to make any forecast for the current year, not only because the first few months give little guidance, but also because of uncertain trading conditions. Turnover to-date has been maintained, although expenses continue to increase.

As known, pre-tax profits for the year to February 2, 1980, improved from £13.43m to £14.94m. Shareholders' funds amounted to £48.24m (£41.42m). Meeting, Birmingham, July 16, noon.

HAWLEY LEISURE CONVERSION

On May 31, over 79 per cent of Hawley Leisure 12 per cent convertible unsecured loan stock 1986/88 was converted into ordinary shares, and the company intends to exercise its right compulsorily to convert the balance of the stock.

Severn Valley Rly. rolls ahead

Operating surplus of Severn Valley Railway (Holdings), which runs regular steam-hauled passenger trains between Bridgnorth and Bewdley, slipped from £75,551 to £59,532 in 1979.

However, helped by improved surpluses from the railway gift shop and the bar and catering side, the company managed to push up profits for the year from £25,515 to £33,628, after expenses of £90,030 (£88,505). There was no tax leaving accumulated profits of £20,807 this time, compared with losses of £12,821.

Turnover of the company, shares of which are traded under rule 163 (2), rose from £372,156 to £424,981.

Mr. W. B. Broadbent, chairman, says early trends are favourable for 1980, the tenth anniversary of the renaissance of the Railway.

Second-half downturn for Attwood

A decline from £62,633 to £39,360 in the second half left pre-tax profits of Attwood Garages down at £72,957 in the year to January 31, 1980, compared with £93,475.

At midway the surplus was slightly higher at £33,597 (£30,842) but the directors warned that demand had eased off in the third quarter and the outlook for the remainder of the year was made uncertain by the credit squeeze.

Group turnover rose from £5.04m to £5.55m and earnings, after tax of £48,074 (£60,328) are shown as 1.18p (1.58p). The dividend is held at 1.45p net with an unchanged final of 0.8375p, and again absorbs £30,451.

There is an extraordinary credit this time of £30,122.

A revaluation of freehold and leasehold properties has produced a surplus of £567,992 which, together with profits of £136,023 from property sales, is taken to capital reserve.

The company, which has "close" status, is controlled by Attwood Securities.

INVESTMENT TRUSTS

Charter Trust shows increase

TAXABLE PROFITS of Charter Trust and Agency rose to £970,059 in the six months to May 31, 1980, compared with £912,394.

Gross revenue improved marginally from £1.07m to £1.09m despite a decline in deposit interest and underwriting income from £86,583 to £46,181, and the pre-tax surplus is also struck after expenses of £75,806 (£63,189) and interest charges of £45,555 (£95,049).

Net earnings are stated at 1.53p (1.36p) per share, after tax of £337,140 (£348,159).

The interim dividend is lifted from 0.825p to 0.925p net—last year a total of 3.156p, including a non-recurring 0.306p, was paid from pre-tax profits of £2.16m.

Net investments at the end of the period amounted to £31.57m (£33.15m), equivalent to 78.3p (82.4p) per share, or 78.2p (82.2p) fully converted.

BRUNNER INV.

Gross revenue of the Brunner Investment Trust rose from £670,689 to £702,818 in the year to May 31, 1980.

Earnings are stated up from 1.08p to 1.29p per 25p share, after lower expenses of £66,867 (£139,710) and tax of £213,900 (£178,463). The net asset value is 74.7p (75.6p).

The interim dividend is raised effectively from 1.075p to 1.225p net—last year's total, adjusted for a one-for-one scrip issue, was 2.45p.

RAEBURN INV.

For the six months to May 31 Raeburn Investment Trust reports an increase in available income from £0.66m to £0.97m. Gross revenue was £1.72m against £1.41m.

Tax took £0.6m (£0.43m). The interim dividend is litfed to 2p (1.45p) and earnings per share are given as 3.65p (2.5p). Stated net asset value per share is 169.4p (179p).

GRANGE TRUST

For the six months ended May 31, 1980, after-tax revenue of Grange Trust, investment trust concern, was £187,913 compared with £143,780, and the interim dividend is increased from 0.95p to 1.1p—last year's final was 2.25p, from revenue of £411,499.

Total revenue was £384,179 (£325,567) for six months but the directors say in view of the £98,000 exceptional dividends received in 1978-79, total revenue for the whole of the current year will be lower.

First half earnings per 25p share are shown as 1.88p (1.42p) and net asset value given as 111.9p (103.9p).

DUNDEE & LONDON REVENUE HIGHER

After tax of £145,497, against £135,146, revenue of **Dundee and London Investment Trust** came out higher at £308,794 for the half year ended April 30, 1980, compared with £230,035. Gross revenue rose from £484,705 to £531,762.

The interim dividend is increased to 1.25p (1p) net per 25p share—last year's total was 3.4p, which included a non-recurring payment of 0.36p, paid from after tax revenue of £594,000.

SHARE STAKES

Reckitt and Colman — Mr. T. J. A. Colman, director, sold 29,114 shares on June 9.

Second City Properties — Mr. W. L. Joberns, director, has sold 42,500 shares.

Gerrard and National Discount Company — Pearl Assurance Company has disposed of 218,664 shares leaving holding 700,000 shares (4.88 per cent).

Alpine Holdings — James Gulliver Associates Investments has bought 10,000 shares, making its holding 1,067,500 shares (9.5 per cent).

Central and Sheerwood—Mr. Nicholas A. H. Stacey, director, has sold 100,000 shares.

J. H. Fenner and Co. (Holdings)—Mr. A. W. Bowes has been appointed a director. He is interested as a trustee in 39,500 shares held jointly with Mr. J. Palmer, 12,906 held jointly with Mr. J. Palmer and Mr. P. H. Bowes, and 10,000 held jointly with Mrs. G. M. Bladon, Mr. J. F. Bladon and Mr. S. M. Bladon.

R. and W. Hawthorn Leslie—Northern Securities Trust is interested in 140,000 shares (5.21 per cent).

Park Place Investments—Mr. J. W. B. Gibbs, director, today sold 13,888 shares leaving his beneficial holding at 400,000 shares (6.9 per cent).

London and Provincial Trust—The Kuwait Investment Office acquired a further 50,000 ordinary shares and now holds 2.18m shares.

Laganvale Estate—Mr. H. F. Shaw, who holds 146,333 ordinary shares, and Mr. J. M. Simon, who holds 20,000 ordinary shares, have been co-opted as directors.

Rowntree Mackintosh—Joseph Rowntree Memorial Trust has disposed of 25,000 shares leaving its interest 7,574,996 shares (7.01 per cent). Rowntree chairman Sir Donald Barron is a trustee.

Centrovincial Estates—Mr. B. Gold, director, has disposed of 20,000 shares, leaving his holding 1,059,774 shares (6.76 per cent).

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Amstrad Consumer Electronics (Section: Electricals)

Jayplant Limited (Buildings)

Magellan Petroleum Australia (Oil and Gas)

Union Carbide Corporation (Americans)

SPAIN

1980 High	1980 Low		June 20 Price %
228	203	Banco Bilbao	214
258	217	Banco Central	244
220	203	Banco Exterior	208
228	200	Banco Hispano	212
137	122	Banco Ind. Cat.	122
175	141	Banco Madrid	141
282	237	Banco Santander	276
190	140	Banco Urquijo	147
238	208	Banco Vizcaya	223
209	200	Banco Zaragoza	200
105	73	Dragados	76
62	58	Espanola Zinc	60
64.5	53.2	Fecsa	64.5
40	24	Gal. Preciados	27
69.7	59 7	Hidrola	69.7
67.2	57.5	Iberduero	67.2
120	100.7	Petroleos	107.5
83	59	Petroliber	83
115	107	Sogefisa	107
59 7	51.5	Telefonica	59
67.5	58.2	Union Elect.	62.5

CORAL INDEX: Close 468-473 (+5)

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times

It will be published on the following dates in the remainder of 1980:

July 14
August 12
September 15
October 14
November 11
December 16

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(THE GRANGESBERG COMPANY)

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RECOVERY OF STOLEN BONDS

NOTICE is hereby given that the following 570 Bonds of the above issue together in each case with interest coupons numbered 10 (due 16th October, 1972) to 40 inclusive, previously reported stolen, have now been successfully recovered:

00801—00925	01241—01245
01011—01040	01256—01375
01076—01085	01401—01450
01101—01190	01576—01650
01206—01220	01751—01800

(all numbers inclusive).

In addition the interest coupon numbered 10 appertaining to each of the following 250 Bonds of the above issue have also been successfully recovered:

00926—00960
01056—01075
01451—01550
01651—01725

(all numbers inclusive).

Dated 23rd June, 1980 S. G. WARBURG & CO. LTD. (Principal Paying Agent)

هكذا من الأصل

INTERNATIONAL BONDS

BY FRANCIS GHILÉS

Resistance at the 10% yield barrier

NINE DOLLAR denominated Eurobonds were announced last week, most of them fixed rate issues. By the end of the week most of them were standing at sharp discounts in the grey market; an exception was the $50m issue for British Oxygen. Because this bond offers a realistic yield, 10.83 per cent, and because of the long call provision investors have been happy to buy the paper.

Such is not the case with the other five fixed interest rate issues at present on offer. Last Friday they stood at discounts as follows: Continental Illinois, 2¼ points; Export Development Corporation, 2¾ points; Pembroke Capital, 2 points; Unilever, 2½ points; and Exportfinans, 3 points. The latter met with by far the coolest reception.

The story of the past 10 days is all too familiar. The primary market has tried to lead the secondary market down as new issue managers priced offerings substantially below yields prevailing in the secondary market.

They were expecting a further decline in U.S. interest rates. Short-term dollar rates, however, hardened a little over the week.

Furthermore there has been strong investor resistance to buying bonds yielding below 10 per cent. There was one exception, however: the World Bank issue launched 10 days ago by Paribas which offers a return of 9.75 per cent. The paper appears to have been placed, but the quality of the borrower and the fact that it is a newcomer to this sector makes this issue a special case. It was also lucky to catch a market which was still in a strong buying mood.

Over $1bn worth of new fixed interest paper is currently on offer and investors are most unlikely to go on a buying spree when they can obtain yields of up to 2 per cent higher on bonds outstanding for the same names which have in the past week or so approached the market offering yields below 10 per cent.

The market has thus once again run ahead of itself. Matters are made worse in that many banks have bid for mandates and have been prepared to take all the paper on to their own books at a pre-arranged price; if interest rates move against them, they will be tempted to unload the paper into the market.

Few bankers, even among those critical of this method of arranging issues, argue that interest rates are likely to rebound. But they might edge slightly up during the next few weeks, if only because of mid-year window dressing. The next few weeks could thus be sticky and not see much placing.

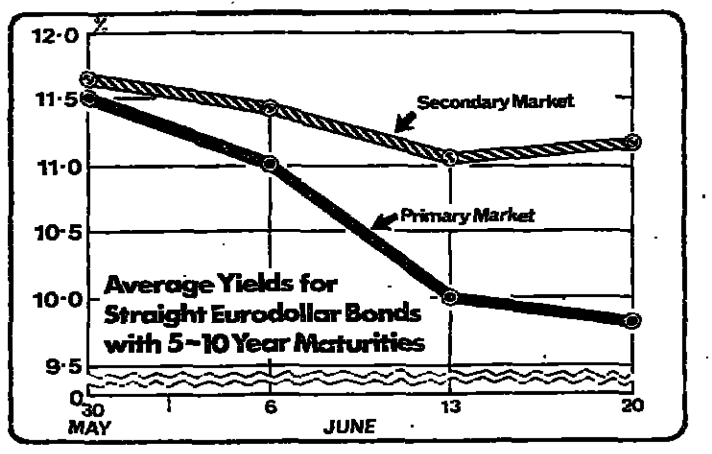
All the same, investors have not been inactive. They have been buying guilder, Deutsche Mark and sterling bonds, though in the latter area, gilt-edged securities have been the major attraction.

The first sterling denominated Japanese convertible, arranged by Morgan Grenfell to raise £20m for the Daiei, the Japanese retail group, started trading last week. Last Friday the lead manager was quoting a price of 100¼-¾ but trading activity was thin, maybe a reflection of the fact that the paper was essentially placed with British institutions in London. Orient Finance is the next Japanese company scheduled to tap this new market sector.

In the Deutsche Mark foreign sector, prices of seasoned issues rose by about ½ of a point across the board. Two new issues were announced, one for the Mortgage Bank of Denmark, the other, a convertible for Sharp. These two bring the volume of new foreign Deutsche Mark bonds issues during the past month to over DM1bn. This figure confirms that there is a steady flow of buyers for Deutsche Mark paper from abroad. This buying is spreading to the Deutsche Mark domestic bond market, where some issues are now offering a return below 8 per cent.

The Capital Market Sub Committee, which meets today, is expected to agree to a fairly heavy calendar, with over DM500m-worth of new issues.

Nassau CDs Page 20



CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡††ENEL	100	1987	7	5¼Φ	100	Daiwa Securities	5.319
‡EDF (g'teed France)	125	1988	8	10	100	Credit Lyonnais, Goldman Sachs	10.000
‡Finnish Export Credit Finland)	50	1985	5	10½	100	Morgan Stanley	10.500
‡EIB	100	1987	7	9¾	100	CSFB, Deutsche Bank	9.750
†SIDOR	50	1984-88	—	6½	100	Citicorp, Bk. of Montreal, Chemical Bk., Commerzbk., LBI.	6.606
‡Continental Illinois O'seas Corp NV	150	1986	6	9¾	100	Continental Illinois, Goldman Sachs	9.750
‡EDC Canada	150	1986	5½	9½	100	CSFB	9.500
A/S Eksportfinans	75	1987	5	9½	100	Merrill Lynch, Den Norske	9.500
‡Pembroke Capital Corp.	100	1987	7	9⅝	100	Salomon Bros.	9.625
§Alusuisse Capital Corp.	80	1993	13	6½	100	CSFB, UBS (Securities)	6.500
British Oxygen Finance NV	50	1990	10	10½	99½	Lazard Bros., SBC	10.834
‡Unilever NV	100	1990	8	9½	99½	AmRo Bank	9.831
§Blocker Energy Intl. NV	20	1995	15	8	*	CSFB, Rotan Mosle	*
D-MARKS							
Mortgage Bank of Denmark (g'teed Denmark)	100	1990	10	8½	*	WestLB	*
‡§Sharp Corp.	100	1988	8	6½	100	WestLB	6.750
SWISS FRANCS							
‡Kingdom of Denmark	80	1990	—	5¾	100	SBC	5.750
‡**New Zealand	100	1986	—	5⅝	100	Credit Suisse	5.625
‡New Zealand	100	1990	—	5⅝	100	UBS	5.625
STELING							
‡§The Daiei	20	1995	15	8½	100	Morgan Granfell, Yamaichi	8.500
CANADIAN DOLLARS							
‡Federal Business Development Bank	50	1990	10	11½	100	Wood Gundy	11.500
GUILDERS							
‡**Heineken NV	75	1987	7	10	99	ABN	10.207
YEN							
‡Republic of Finland	15bn	1987	6	8⅜	100	Daiwa Securities	8.375
‡Republic of Brazil	20bn.	1990	8	9.2	99.95	Nomura Securities	9.420
Kingdom of Thailand	10bn.	1990	8	9.2	99.90	Nomura Securities	9.428

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

Venezuelan jumbo comes to market

VENEZUELA was a major talking point in the Euromarkets last week. Its $1.2bn jumbo Eurocredit entered syndication, but simultaneously bankers report a growing propensity of some state agencies to fall behind with payments of interest and principal on foreign borrowings.

For many borrowers this would hardly be a propitious environment for such a large credit, but in this case the jumbo is designed to alleviate at least in part the payment problems of Venezuela's state agencies. Proceeds are to consolidate their very large short-term debt.

Even though they may be financing long-term projects, the state agencies have difficulty obtaining congressional approval for borrowing of more than two years. Regular refinancing is therefore necessary and, in view of what bankers perceive as the poor management of Venezuela's public debt, it is not always easy to arrange on a timely basis.

Some bankers do, however, point out that this problem was foreseeable and banks were aware of the risk they took by continuing to provide such large amounts of short-term funding. This may explain why none of the short-term credits have actually been called into default.

Venezuela is still considered a very good credit risk because of its oil. By providing a jumbo to the state itself, the banks should ensure that payments on their lending to the state sector are more reliable. The relief may still be only temporary as the short-term debts of state agencies are estimated to be far in excess of $5bn. Against this the jumbo looks small and congressional approval for long-term state borrowings is only secured in an amount of $1.8bn.

There are 19 banks in the management group, which is co-ordinated by Citibank. The credit bears a split spread of ⅝-¾ over seven years.

Elsewhere, Brazil's latest foray into the Euromarkets has, for once, met with a good reception. The amount of the eight-year credit for the electric utility, Eletrobras, has been raised to $325m from $300m. The credit went into syndication last week.

The secret of its success is that Brazil finally agreed to a significant increase in the spread it is prepared to pay on international borrowings. This credit carries a margin of 1⅞ per cent over Libor, fully ⅛ per cent higher than Brazil paid on its last loan, a 10-year financing for the Itaipu hydroelectric project.

Another loan to meet a positive response in the market is the seven-year credit for Czechoslovakia's Foreign Trade Bank, which has been raised to at least $250m from the $200m first mooted. Despite the limited syndication, the managers managed to attract interest from a wide spectrum of banks including three Japanese and the same number of U.S. regional banks.

There are, however, no major U.S. or Canadian banks in the transaction, as these remain reluctant to lend to Eastern Europe because of the Afghanistan crisis. For other banks the problem is less acute, especially if, as is the case with this financing, the yield is attractive. The borrower is paying a ⅝ per cent margin over Libor for the funds.

The five-year credit being arranged on a club basis by *Morgan Guaranty for Banco de la Nacion Argentina* has been reduced to $300m from $500m. The credit carries a margin of half a point above Libor, terms that were considered fine by international bankers despite Argentina's high credit rating in the Euromarkets.

The reason for the reduction is, however, not so much lack of interest in a credit on these terms, but rather efforts by Argentina's central bank to co-ordinate properly borrowings by the country's public sector entities. Argentina has been profiting from its popularity with Eurobankers to tap the market regularly at consistently fine spreads.

U.S. BONDS

BY DAVID LASCELLES

The issuing pace gets too hot

OVERWHELMED by an unprecedented volume of corporate borrowing, the U.S. credit markets paused for breath last week. Prices turned mixed, and some short rates even edged up a bit. But the general expectation is that interest rates could still go down, though how far is hotly disputed.

Last week's issues totalled nearly $2bn, over $1bn coming out on a single day, Thursday.

Corporate borrowers were able to obtain their money at between 10 and 12 per cent, depending on maturity and quality. The Treasury sold $4.25bn of two-year notes at 8.63 per cent, the lowest level for nearly two years. These instruments reached a peak of 15 per cent in the March sale.

The torrid pace is likely to continue this week, with $850m already on the calendar and more likely. In addition, there is a heavy slate of stock offerings.

Corporations are clearly anxious to lock in to what could be advantageous rates by future standards. However, they also appear to be hedging their bets somewhat. More of them are going for medium rather than long-term money, suggesting that they are less certain about the prospects than before.

Underlying the strength of the credit markets is the continuing decline of the U.S. economy. Statistics out from Washington last week point to a very sharp downturn, so sharp in fact that some economists believe that, given the lag in statistics, the economy may already have hit bottom. Combined with the fact that sharp recessions also tend to be short ones, some people think the recovery may not be far off, though others do not expect an upturn before the first quarter of next year.

The collapse of credit demand at the banks continues to be reflected in the money supply. M1-A was off slightly last week, though the broader measure, M1-B was up a bit. Salomon Brothers says the Fed's long-term money growth targets are now in jeopardy, and that the aggregates will have to expand by about 9 per cent in the second half of this year to meet them. Because of this, the firm's chief economist, Dr. Henry Kaufman, predicts the Fed may have to ease money market conditions further in order to expand bank credit and renew economic activity.

One statistic of importance in the coming week is the May consumer price index due on Tuesday.

U.S. INTEREST RATES

	Week to June 20	Week to June 13
3-month Treas. bill	7.18	6.25
3-month CDs	8.45	8.12
Fed fnds wkly. avge	9.47	8.75
Treas. 20-year bond	9.56	9.47
Lng-trm. AAA utility	10.38	10.38
Lng-trm. AA indstrl.	10.12	10.00

Source: Salomon Bros. estimates.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	83½	93⅞	−0¼	−1	11.16
Australian Res. 9¾ 84	30	96¾	97⅛	+0⅛	−1½	10.55
Beneficial Fin. 9¾ 87...	100	93½	94	−0⅛	−2⅞	11.06
[illegible] Rate 12 86	100	99⅝	100⅛	0	−0⅞	11.22
CECA 11⅝ 90	50	100⅛	100⅞	−0⅛	−0⅞	11.51
CECA 11½ 88	100	102	102½	−0⅛	−1⅛	11.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0¼ on week −0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	96⅞	96⅞	+0⅛	+1	11.51
CIBC 13½ 85 C$	50	104⅞	105⅜	−0⅛	+0⅞	12.04
Cr. Foncier 10¾ 84 C$	30	†92	93	0	−0½	12.74
Fst Can Inv. 10 84 C$	50	94⅞	95⅜	−0¼	−0⅛	11.61
GMAC 12 85 C$	50	†99½	100	0	−1⅛	12.07
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
June 20 ...	93.57	9.60	84.36	10.54
June 13 ...	93.10	9.76	82.20	10.85
High '80...	93.58	(18/6)	89.19	(2/1)
Low '80 ...	86.32	(2/4)	71.54	(29/2)

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	1,023.3	3,330.2
Previous week ...	967.6	3,243.4
Other bonds		
Last week	496.9	319.8
Previous week ...	223.6	386.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Delter Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 20

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

ITALY

NORWAY

SWEDEN

SWITZERLAND

AUSTRALIA

SINGAPORE

FRANCE

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

Indices

NEW YORK ACTIVE STOCKS

HONG KONG

1980 High	1980 Low	June 20	Price H.K. $
14.70	9.20	Cheung Kong	14.50
2.75	1.84	Cosmo Prop.	2.25
12.40	8.60	Cross Harbour	11.50
7.10	4.85	Eastn Asia Nav.	5.50
119.00	80.00	Hang Seng Bank.	118
6.85	5.05	Hk Electric	6.20
80.00	65.00	HK Kowloon Wh.	77
13.24	9.24	HK Land	12.0
15.70	11.30	HK Shanghai Bk.	15.5
29.56	21.74	HK Telephone	25.2
9.95	6.70	Hutchison Wpa.	8.8
16.78	11.74	Jardine Math	16.40
5.20	3.10	New World Dev.	4.30
6.15	3.25	O'seas Trust Bk.	4.40
11.50	7.65	SHK Props.	11.5
10.30	6.90	Swire Pac A.	7.90
5.10	3.47	Wheel'k Mard A.	4.45
5.50	4.30	Wheel'k Mariti'e	5.50

JAPAN

1980 High	1980 Low	June 20	Price Yen
610	514	Ajinomoto	598
546	465	Amada	504
393	340	Asahi Glass	380
560	480	Bridgestone	520
667	579	Canon	655
395	310	Citizen	372
1,000	718	Daiei	735
405	387	DKBO	404
556	480	Dai Nippon Ptg	520
393	275	Daiwa House	392
321	271	Daiwa Seiko	297
439	369	Ebara	415
1,025	834	Eisai	967
420	370	Fuji Bank	418
613	457	Fuji Film	613
927	749	Fujisawa	890
3,100	2,460	Fujitsu Fanuc	2,800
1,870	1,510	Green Cross	1,790
564	470	Hasegawa	470
672	555	Heiwa Rl East	591
273	231	Hitachi	270
649	492	Hitachi Koki	649
686	534	Honda	575
810	700	House Food	805
884	760	Hoya	860
554	400	Itoh (C)	425
600	516	Itoh-Ham	569
1,420	1,000	Itoh-Yokado	1,100
500	390	JACCS	475
2,600	2,300	JAL	2,300
910	650	Jusco	690
299	268	Kajima	281
442	370	Kao Soap	441
545	460	Kashiyama	545
430	350	Kikkoman	400
450	385	Kirin	445
1,150	954	Kokuyo	1,010
398	327	Komatsu	385
715	610	Komatsu F'lft	685
478	405	Konishiroku	473
366	353	Kubota	355
390	335	Kumagai	370
3,280	2,900	Kyoto Ceramic	3,220
440	332	Lion	420
518	450	Maeda Cons.	489
1,190	956	Makita	1,030
399	305	Marubeni	364
666	496	Marudai	618
786	598	Marui	665
736	647	Matsushita	689
579	505	M'ta Elec Works	545
420	367	M'bishi Bank	416
724	606	M'bishi Corp.	652
210	185	M'bishi Elec.	200
443	357	M'bishi Rl Est.	385
203	168	MHI	200
402	303	Mitsui Co.	373
555	440	Mitsui Rl Est.	492
465	390	Mitsukoshi	440
492	430	NGK Insulators	485
1,290	1,030	Nippon Denso	1,090
770	650	Nippon Gakki	725
450	408	Nippon Meat	445
2,470	1,660	Nippon Oil	1,790
670	505	Nippon Shinpan	643
149	118	Nippon Steel	136
231	193	Nippon Suisan	194
5,350	4,300	NTV	4,600
734	618	Nissan Motor	667
384	317	Nisshin Flour	355
185	142	Nisshin Steel	144
440	368	Nomura	414
340	281	NYK	284
880	651	Olympus	880
1,080	900	Orient	1,080
2,050	1,700	Pioneer	1,990
573	483	Renown	557
656	525	Ricoh	571
412	348	Sanyo Elec	354
286	236	Sapporo	275
810	627	Sekisui Prefab	686
571	468	Sharp	560
1,010	865	Shiseido	900
2,220	1,630	Sony	2,220
481	390	Stanley	460
291	245	S'tomo Marine	269
735	618	Taihei Dengyo	700
226	199	Taisei Corp.	204
600	521	Taisho Pharm.	560
542	458	Takeda	506
2,270	1,720	TDK	2,250
164	133	Teijin	134
1,440	920	Teikoku Oil	1,200
600	478	TBS	525
667	537	Tokio Marine	615
927	795	Tokyo Elect.Pwr.	909
125	111	Tokyo Gas	125
659	513	Tokyo Sanyo	561
204	178	Toshiba	199
242	205	Tokyu Corp.	213
461	395	TOTO	450
464	374	Toyo Seikan	395
836	771	Toyota Motor	825
1,650	990	Victor	1,630
775	665	Wacoal	745
1,060	825	Yamaha Motor	953
570	461	Yamazaki	520
316	227	Yasuda Fire	284
849	600	Yokogawa Bdge.	661

SOUTH AFRICA

1980 High	1980 Low	June 20	Price Rand
3.30	2.65	Abercom	2.95
7.90	5.45	AE & CI	7.75
17.00	12.30	Anglo Am. Cp.	15.80
107	80	Anglo Am. Gold	95.75
10.50	8.05	Barlow Rand	9.88
48.00	30.00	Buffels	48.0
4.80	3.40	CNA Investa	4.50
2.00	1.30	Currie Finance	2.00
11.75	8.85	De Beers	10.50
29.75	21.50	East Drie	29.0
64.00	48.00	FS Geduld	63.75
95.00	66.50	Gold Fields SA.	80.50
4.70	3.55	Highveld Steel	4.65
9.00	5.30	Huletts	6.40
36.00	25.00	Kloof	36.0
6.10	5.00	Nedbank	5.85
16.00	12.80	OK Bazaars	16.55
3.30	2.55	Protea Hldgs.	3.00
7.75	5.90	Rembrandt	6.60
3.20	2.65	Rennies	2.20
6.60	4.90	Rust Plat	5.20
2.85	2.25	Sage Hldgs	2.25
3.40	2.68	SA Brews	3.27
13.50	10.30	Smith CG Sugar	10.60
1.90	1.40	Sorec	1.75
17.50	13.60	Tiger Oats	16.00
2.37	1.85	Unisec	2.37

Financial Rand US$0.86
(Discount of 33½%)

BRAZIL

1980 High	1980 Low	June 20	Price Cruz
2.44	1.09	Acesita	2.26
4.19	2.45	Banco Brazil	4.15
4.89	1.90	Belgo- Min	4.20
2.70	1.40	Lojas Amer	2.33
6.10	1.57	Petrobras PP	3.93
2.30	1.30	Pirelli	1.40
4.00	2.55	Souza Cruz	3.20
7.20	4.80	Unip PE	5.30
11.80	2.93	Vale Rio Doce	10.71

TEL AVIV

Company	Prices June 22 1980	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	719	+ 20.0
IDB Bankholding	788	+ 14.0
Bank Hapoalim Br.	853	+ 15.0
Union Bk. of Israel Br.	648	− 28.0
United Mizrahi Bank	532	− 3.0
Hassneh Insurance Br.	623	+ 25.0
General Mort. Bank Br.	614	+ 27.0
"Tefahot" Isrl. Mt. Bk.	734	+ 8.0
Land Development		
Africa Israel Inv. IE10	890	+ 20.0
Israel Land Devpt. Br.	317	− 12.0
Property and Building	459	+ 7.0
Public Utility		
Israel Electric Cpn.	565	—
Investment Companies		
Bank Leumi Invest.	478	+ 20.0
"Clal" Israel Invest.	795	+ 85.0
Discount Invest.	358	− 12.0
Commercial and Industrial		
Alliance Tire & Rubber	2,534	−175.0
Elco Br.	390	+ 45.0
Argaman Textile Br.	273	− 22.0
"Ata" Textile "B"	131	− 85.0
Amer. Israeli Ppr. Mills	900	—
Assis	440	+ 6.0
Elite	664	+ 20.0
Teva Reg.	800	+ 20.0
Fuel and Oil		
Delek	378	− 1.0

Source: Bank Leumi le Israel BM, Tel Aviv.

Spanish prices, Page 14

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FINANCIAL TIMES SURVEY OF CONSUMER CONFIDENCE

Rising prices, job fears hit hopes for future

BY DAVID CHURCHILL

CONSUMERS' fears over rising prices and increasing unemployment have led to a sharp fall in future confidence, according to the latest Financial Times survey of consumer confidence, published today.

The June survey of over 1,000 adults reveals that of the positive replies, only 17 per cent expected conditions to improve, while 48 per cent thought they would worsen. This gave an index of future confidence of −31 per cent, compared with −26 per cent last month.

The June index is only slightly above the monthly index for June last year when the Conservative Government's first Budget, which increased VAT to 15 per cent, led to a massive slump in confidence.

The latest figures show that a recovery in confidence is still some way off.

Among the consumers surveyed this June, the main reason for pessimism, cited by 38 per cent of the sample, was rising prices.

But the second most important reason, cited by 33 per cent, was rising unemployment. Two months ago unemployment was seen as a reason for pessimism by only 13 per cent of the survey.

Nearly a quarter of the sample also blamed the Government's economic policies as the main reason for pessimism.

The main reason for hope in the survey was the vague response that "things must improve." This was cited by 56 per cent.

But the proportion of consumers who saw the Government's economic policies as a reason for optimism, fell from 31 per cent of the sample last month to 26 per cent in June.

Analysis of the survey shows that all the four social subgroups lost confidence in June, but the index for C2DE men (manual workers) fell by the greatest amount.

Clearly unemployment is becoming of increasing concern to consumers. This was shown in response to a separate question on unemployment, which reveals that in June, some 63 per cent of the survey, believed unemployment would increase, while only 10 per cent thought it would fall.

This gave an "unemployment index" of plus 53 per cent—a rise of 10 points on May.

The survey, however, does give a glimmer of hope to the retail trade which is currently facing a slump in consumer spending.

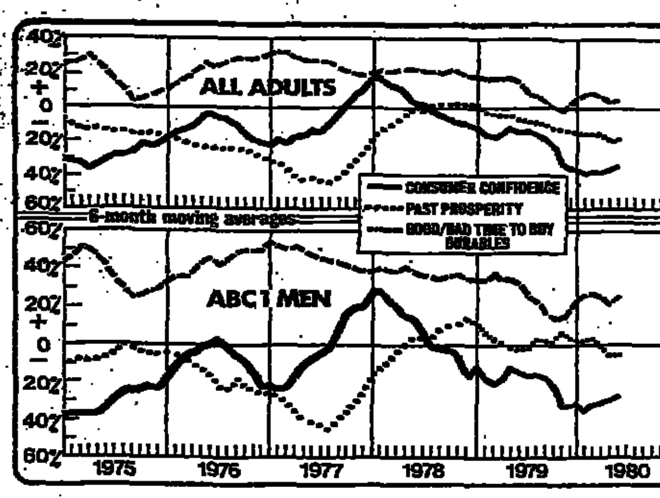
The survey, revealed that 38 per cent thought now was a good time to buy, while 36 per cent thought it was a bad time. This gave an index level of 2 per cent compared to 1 per cent last month.

The question in the survey which tests consumer attitudes compared with a year ago revealed a slight improvement in confidence.

Some 22 per cent felt better off than a year ago, while 43 per cent felt worse off, giving an index of 21 per cent in June, compared with 25 per cent in May.

But the six-monthly index, which reflects the trend over a longer period fell to 20 per cent, its lowest level since 1977.

The Financial Times survey of consumer confidence was carried out between June 5 and 11 by the British Market Research Bureau. A sample of 1,083 adults was interviewed.



Talks called on Mersey dock closure

FINANCIAL TIMES REPORTER

TALKS will open in the Port of Liverpool this week after the week-end announcement by T. and J. Harrison, the shipping company and one of the river's main independent stevedores, that it will shut down its cargo handling operation at the end of September.

The closure decision will mean the loss of around 320 jobs on the water front, 180 of them registered dockers, and the remainder ancillary workers.

The local dock labour board is already seeking 470 voluntary redundancies among dockers employed by the Mersey Docks and Harbour Company.

Mr. James Fitzpatrick, the managing director and chief executive of Mersey Docks, has assured ship owners that his company will take over the work done by Harrison to minimise disruption to the port.

Mersey Docks is already in a serious financial position, and yesterday Mr. Fitzpatrick said the company was determined not to lose a single tonne of trade. He said there would be close consultation with all parties concerned.

Harrison has operated an independent cargo handling service on the Mersey for over a century.

Leaders of the dock section of the Transport and General Workers' Union have called for immediate joint talks.

APPOINTMENTS

New May & Baker chief executive

Mr. Eric J. Mackay, recently appointed deputy managing director of MAY AND BAKER, is to become managing director of the company from July 1. Mr. Nigel Chancellor retires as managing director at the end of this month.

*

Mr. R. Nice has joined the Board of RATCLIFF TAIL LIFTS as manufacturing director.

*

Mr. K. A. Onalaja has been appointed chief executive of ROYAL EXCHANGE ASSURANCE (NIGERIA). He succeeds Mr. Dennis Robson who is leaving the company. Mr. I. Oshosanya has been made general manager.

*

Mr. Michael James has been appointed a director of VINTEN GROUP from August 1. He will take over as group managing director on October 1 from Mr. J. B. MacKirdy, who is retiring at the end of March next year.

*

Mr. Peter Dobbs has been appointed regional director and general manager of the Salisbury regional head office of LLOYDS BANK. He succeeds Mr. Frank Brookes who is retiring at the end of June.

*

Following his appointment as Keeper of the Privy Purse and Treasurer to The Queen, Mr. Peter Miles has resigned as chairman of ASTLEY AND PEARCE HOLDINGS and Astley and Pearce Limited. He remains a director of both companies until August 13. Mr. H. S. Clarke has been elected non-executive chairman of the two concerns.

*

Mr. T. O. Hutchison, chairman of ICI plastics division has been elected president of the ASSOCIATION OF PLASTICS MANUFACTURERS IN EUROPE. He had been a vice-president since January 1977.

*

Mr. F. A. Robinson is to retire from the HARGREAVES GROUP, for reasons of health, on October 1. Dr. Michael Scott will succeed Mr. Robinson as group planning director from that date on relinquishing his position as chief executive, Hargreaves Fertilisers, of which company he will remain a non-executive director.

*

SECURICOR has made the following appointments: Mr. Eric Hollis, financial director and deputy chairman of Securicor Group and Security Services, has relinquished his position as managing director of Securicor Limited, the main operating subsidiary, and has been appointed joint deputy chairman. Mr. Ron Smith has been appointed a director of Securicor Limited and Lord Brooke has retired from the Board. The new managing director of Securicor Limited is Mr. Peter Towle, who has also been appointed joint managing director (UK) of Securicor International. Mr. Roger Wiggs has been appointed joint managing director (overseas) of Securicor International.

*

Mr. H. G. Hargreaves has retired from the Board of SENIOR ENGINEERING GROUP.

*

Mr. T. Clapp has been appointed marketing director of WEYROC, a UK subsidiary of the Swedish Match Company. Mr. Clapp is at present general sales manager of Oce Van Der Grintens plain paper copying operations in the UK. He will be taking up his new appointment on September 1.

This week in Parliament

TODAY

COMMONS—Supply day debate on Royal Air Force. EEC document on industrial accident hazards.

LORDS — Magistrates' Courts Bill, committee. Licensing (Amndt.) (No. 2) Bill, third reading. Health Services Bill, second reading. New Towns Bill (Money), second reading. Short debate on "Green Giant" development opposite Tate gallery.

SELECT COMMITTEE—Energy. Subject: Isle of Grain Power Station. Witnesses: Mr. J. Baldwin, Secretary, and other members of national engineering construction committee, 4.30 pm, Room 16.

TOMORROW

COMMONS—Broadcasting Bill, remaining stages.

LORDS—Tenants' Rights (Scotland) Bill, second reading. Short debate on conditions and time which persons are kept on remand in prisons.

WEDNESDAY

COMMONS—Supply debate on on need for Government action to reduce unemployment, particularly amonst young people. Transport Bill, Lords amendments.

LORDS—Highways Bill, committee. Films Bill, second reading. Gas Bill, committee. Trees (Replanting and Replacement) Bill, report. Coroners Bill, committee. EEC (Definition of Treaties) Order. Insurance (Transfer of General Business) Regulations. National Radiological Protection Board Order. Short debate on oil spills in North Sea.

SELECT COMMITTEES—Education. Subject: Courses in higher education. Witness: Mr. Mark Carlisle, Education Secretary. 10.30 am. Room 6. Foreign. Subject: Supply estimates 1980-81. Witnesses: Foreign Office. British Council. 10.30 am. Room 15.

Energy. Subject: Isle of Grain power station. Witnesses: General and Municipal Workers Union. 10.45 am. Room 8. Industry and Trade. Subject: import and export trade. Witnesses: Scotch Whisky Association. 10.45 am. Room 16. Transport. Subject: The Roads White Paper. Witnesses: Department of Transport. 11.30 am. Room 17. Public Accounts. Subject: National Enterprise Board accounts 1979. Witnesses: Department of Industry, National Enterprise Board. 4 pm. Room 16. Employment. Subject: Manpower Services Commission's corporate plan 1980-84. Witnesses: Mr. James Prior, Employment Secretary. 4.45 pm. Room 10. Transport. Subject: Channel Link. Witnesses: Prof. Christopher Foster. 5 pm. Room 6.

THURSDAY

COMMONS. Supply day debate on the Army. Motion on Army, Air Force and Naval Discipline Acts (Continuation) Order. Motion on Financial Assistance Offshore Supplies Grants) Scheme and Petroleum (Production) (Amendment) Regulation.

LORDS—Sea Fish Industry Bill, third reading. Housing Bill, committee. Pier and Harbour Order (Brighton West Pier) Confirmation Bill, second reading.

SELECT COMMITTEES — Employment. Subject: Work of Department of Employment group. Witnesses: Training services division of Manpower Services Commission. 4.30 pm. Room 16. Home Affairs, Race relations and immigration subcommittee. Subject: Racial disadvantage. Witnesses: Department of Education. 4.30 pm. Room 15.

FRIDAY

COMMONS—Debate on disbandment of regional orchestras. Debate on pay and working conditions of employees of British companies in South Africa.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. *The Board meetings are mainly for the purpose of considering dividends and official indications are* not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Glaves, Brown's Hotel, Dover Street, W., 12.05
Helene of London, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Mallinson-Denny, 130, Hackney Road, E., 12.00
Marshalls Universal, Fairfield Halls, Park Lane, Croydon, 12.00

BOARD MEETINGS—
Finals:
Austin (E.) (London)
Baraoora Tea
Brengreen
Brown and Tawse
Cropper (James)
Eastern Produce
Elliott Group of Peterborough
Lendu Rubber Estates
Old Swan Hotel
Polymark International
Property Partnerships
Rembia Rubber
Whitecroft
Interims:
Great Northern Investment Trust
Muirhead

DIVIDEND & INTEREST PAYMENTS—
City of Oxford Invest. 3.72p
Farmer (S. W.) 6.1p
Needlers 2.5p
Peachey Property Corpn. Deb. 3½pc
Securities Tst. of Scotland 2.9p
Stephen (Alexander) 1.05p
Urquijo Intl. Gtd. Fltg. Rate Notes due 1981 $US75.48
Wilkins and Mitchell 1.46p

TOMORROW

COMPANY MEETINGS—
British Northrop, Daisyfield, Blackburn, 12.00
English National Investment, 11, Austin Friars, E.C., 12.00
European Ferries, The Connaught Rooms, Gt. Queen Street, W.C., 11.30
Lake View Invest. Trust, Winchester House, 77, London Wall, E.C., 12.45
Pitney Bowes, The Pinnacles, Harlow, Essex, 12.15
Sears Eng'g, 40, Duke Street, W., 12.00
Silentnight, The Midland Hotel, Manchester, 12.00
UDS, Portland Hotel, Portland Square, W., 12.00

BOARD MEETINGS—
Finals:
Charter Consolidated
Control Securities
Ferranti
Halma
Holden (Arthur)
L.C.P.
Levex
Paterson (R.)
Renwick
Somic
Tecalemit
Wheway Watson
Wilkinson Match
Interims:
Ashdown Investment Trust
Cronite
Kenning Motor
Trident Television

DIVIDEND & INTEREST PAYMENTS—
Manchester 3pcRed.Con. 1928 1½pc
Manchester 4pcCons.Irrd. 2pc
Metropolitan Wtr. Bd. Kent W.W. 3pcDb. 1½pc
Sungei Bahru Rubber Estates 0.75p

WEDNESDAY, JUNE 25

COMPANY MEETINGS—
Booth Intl., Albany Hotel, St. James's Street, Nottingham, 12.00
Border Breweries (Wrexham), Wrexham ACC Centenary Club Premises, Wrexham, 12.00
Chesterfield Properties, Avery House, 1, Avery Row, W., 11.00
Crowther (John), Union Mills, Milnsbridge, Huddersfield, 12.00
Hawtin, Metropole Hotel, Blackpool, 2.30
Hoveringham, Seaton Buildings, Jameson Street, Hull, 12.00
London and Northern, Essex Hall, Essex Street, W.C., 3.00
London Atlantic Invest. Tst., The Connaught Rooms, Gt. Queen Street, W.C., 2.30
MGM Assurance, MGM House, Heene Road, Worthing, West Sussex, 12.30
Marks and Spencer, Hotel Inter-Continental, 1, Hamilton Place, Hyde Park, W., 11.00
Scottish Heritable Trust, 11, George Square, Glasgow, 12.00
Tebbitt, 24, Portland Place, W., 11.00

BOARD MEETINGS—
Finals: BPB Industries, Barlow Holdings, Border Breweries (Wrexham), Brickhouse Dudley, Chubb, Cocksedge, Dennis (James M.), Electric and General Investment, Elliott (B), Hicking, Pentecost, Mercantile House, Moran (Christopher), Powell Duffryn, Schlesinger American Investments
Interims: Irish Distillers, Trusthouse Forte, Vectis Stone.

DIVIDEND & INTEREST PAYMENTS—
Atlas Electric and General Tst. 2.1p
Black and Decker Mfg. 19cts
Blockleys 4.89p
Casket (S.) 0.5p
Chesebrough-Ponds Inc. 32cts
English Natl. Inv. Pfd. Ord. 1.22p
English Natl. Dfd. Ord. 2.43p
Jantar 1.5p
Spring Grove Services 1.5p
Third Mile Invest. 0.7p
Weeks Associates 0.908p

THURSDAY, JUNE 26

COMPANY MEETINGS—
Canadian and Foreign Inv. Tst., The Stock Exchange, 11.45
Goldman (H.), Gilder House, Cricklewood Trading Estate, Clairmont Road, N.W., 4.00
Hay (Norman), Excelsior Hotel, Heathrow Airport, Bath Road, West Drayton, Middlesex, 11.00
Folkes (John), Chamber of Commerce, 75, Harborne Road, Edgbaston, Birmingham, 12.00
Lee Cooper, Cafe Royal, Regent Street, W., 12.00
Mothercare, Winchester House, 100, Old Broad Street, E.C., 11.00
Sheffield Brick, Royal Victoria Hotel, Bridge Street, Bradford, 10.30
Sphere Inv. Tst., Winchester House, London Wall, E.C., 12.00
Uniflex, 43, Conduit Street, W., 10.00
Walker (C. and W.), Walker House, Malinslee, Telford, Shropshire, 12.00
Wettern Bros., Fairfield Halls, Park Lane, Croydon, 11.00

BOARD MEETINGS—
Finals: Anderson Strathclyde, Durapipe International, Electrocomponents, Evans of Leeds, Redland, Renold, Shaw Carpets, Stead and Simpson, Textured Jersey, Whittington Engineering.
Interims: Castlefield (Klang) Rubber Estate, Countryside Properties, Flexello Castors and Wheels, Hardys and Hansons, Henlys, Jackson (J. and H. B.), Killinghall (Rubber) Development Syndicate, Lookers, United Guarantee, Whatlings.

DIVIDEND & INTEREST PAYMENTS—
Allebone 1p
Crowther (John) 0.76p
Halliburton 50cts
Hepworth (J.) 0.79p
Scottish Mortgage and Tst. Ord. Uts. 3.4p
Sheffield Brick 1p
Trust Union 1.5p
Westward TV C NV Ord. 0.65p

FRIDAY, JUNE 27

COMPANY MEETINGS—
Aberdeen Construction, Station Hotel, Aberdeen, 12.00
Albany Inv. Tst., India Buildings, Water Street, Liverpool, 2.30
Bilton (Percy), Bilton House, Uxbridge Road, West Ealing, W., 12.00
Buckleys Brewery, Domino Public House, Waunarlwydd, Swansea, 10.45
Foseco Minsep, 36, Queen Anne's Gate, S.W., 12.00
French Kier, Waldorf Hotel, Aldwych, W.C., 12.00
Hall (Matthew), Hotel Russell, Russell Square, W.C., 12.00
Prince of Wales Hotel, Lord Street, Southport, 12.00
Selincourt, The White House, Albany Street, N.W., 11.00
Scottish Northern Inv. Tst., Investment House, 6, Union Row, Aberdeen, 12.15
Tysons (Contractors), Atlantic Tower Hotel, Chapel Street, Liverpool, 12.00
Viking Resources, Great Eastern Hotel, Liverpool Street, E.C., 12.00

BOARD MEETINGS—
Finals:
Country Gentlemen's Association
Grovebell
Nurcros
Scapa
Spong
Whiteley (B. S. and W.)

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mtg. Cpn. 12½pcBds.Red. 27/6/80 £6.3527
Black (A. and C.) 2.79p
Bradbury Wilkinson 6pcPtg.Pf. (free of tax) 3pc
Buckleys Brewery 1.65p
Cambrian and Genl. Secs. 1.8p
Cope Allman Intl. 1.785p
Exchequer 6½pc 2000-05 3¼pc
Franklin Mint 12cts
Grampian 3p
Harrisons and Crosfield 6½pcPf. 2.275pc
KCA Intl. 2.5p
Leumi Intl. Inv. Gtd. Fltg. Rate Notes due 1986 $US75.93
Lex Service 6½pcPf. 2.275pc
Lex Service Ln. 4¼pc
Marlborough Property 0.3p
Metalrax 7½pcPf. 2.625pc
Murray Minor Inv. Tst. 0.85p
Petrolane Inc. 16cts
Pfizer Inc. 36cts
Scottish Natl. Tst. Deb. 2½pc
Scottish Nthrn. Inv. Tst. 1.94p
Silvermines 2p
Sphere Invests. 3.4p
Turriff Cpn. 3.75p
Utico Pf. 3¼pc
Wills (George) 3p

SATURDAY, JUNE 28

DIVIDEND & INTEREST PAYMENTS—
Guest Keen Nettlefolds Ln. 3¼pc
Guest Keen Nettlefolds Ln. 3¼pc
Guest Keen Nettlefolds (UK) Dbs. 3½ (76-81), 3¼ 3½ 3¾ (87-92), 5¼pc
Guest Keen Nettlefolds Db. £1.463
Guest Keen Nettlefolds Db. 1.8897
Guest Keen Nettlefolds Db. £2.6212
Petaling Tin Bhd. 11.832p
Takeda Chemical Y3.75
Takeda BDRs Y3.75

SUNDAY, JUNE 29

DIVIDEND & INTEREST PAYMENTS—
M and G Japan Gnl. Inc. 0.88p
Sefton Variable Rate Red. 1983 £8.5938

THE LONDON AND PROVINCIAL TRUST LIMITED

Secretary—Investment Trust Services Limited

Three year summary of results

Year ended 31st March	Total Income £'000	Ordinary Shares Earned per share	Ordinary Shares Paid per share	Gross Assets (less current liabilities) £'000	Net Asset Value per Ordinary share
1978	1,921	3.40p	3.40p	45,491	140.7p
1979	2,215	4.00p	3.95p	52,798	164.2p
1980	2,730	5.21p	3.20p	45,767	141.6p

In his statement, the chairman LORD WYFOLD said: "Your directors intend to at least maintain the ordinary dividend at its present rate of 5.20p per share."

Copies of the Accounts are available from the Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

PUBLIC NOTICE

OFFICE OF THE COURT USHER HUGO LUYTEN

Justitiestraat 9—2000 ANTWERP BELGIUM

TEL. 031/37/76/66

ISSUE M/S JOCELYNE

According to the assignment report dated 19th June 1980 the Court Usher Hugo Luyten assigned Under Reserve of Higher Bid, the sea-going ship JOCELYNE, at the price of

62,000,000BF

During the 15 days after assignment, everyone can introduce a higher bid, respecting Art. 1592 Code of Procedure:

During the 15 first days after assignment, everyone has the faculty to introduce a higher bid.

The amount added may not be lower than one tenth of the assignment price. However, it may not be inferior at 10.000 BF, but needs not be higher than 250.000 BF.

At the moment of the higher bid, this amount is to be given in consignment at the usher's office, what must be notified by usher's writ to the court usher; this writ must also be noticed to the buyer.

The assignment resulting from a higher bid is done by the same court usher and according to the same procedure as the first assignment. This assignment open to all concerned is decisive.

The court usher has the right to refuse any higher bid from persons unknown to him or whose identity or financial status seem dubious to him. In all cases, he is allowed to ask guarantee deposit from the higher-bidder. Whenever the court usher refuses a higher bid, he has to draw up a well-founded report on this refusal.

COMPANY NOTICES

TANKS CONSOLIDATED INVESTMENTS LIMITED

NOTICE IS HEREBY GIVEN that the seventy-eighth Annual General Meeting of Tanks Consolidated Investments Limited will be held at the head office of the Company, Bahamas International Trust Building, Bank Lane, Nassau, Bahamas, on Monday, 21st July, 1980, at 11.30 a.m. for the purposes following —

ORDINARY BUSINESS

1. To receive and consider Statement of Accounts for the year ended 31st December, 1979, and Balance Sheets at that date, and the Reports of the Directors and Auditors.
2. To approve a dividend.
3. To re-elect as directors:—
   (a) Monsieur P. E. G. Corbiau.
   (b) The Earl of Limerick
4. To re-appoint the Auditors.
5. To fix the remuneration of the Auditors.

By Order of the Board.
BAHAMAS INTERNATIONAL TRUST COMPANY LIMITED.
Secretaries.

Nassau, Bahamas
20th June, 1980

A member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

Holders of Stock Warrants to Bearer wishing to attend or be represented at the meeting may obtain from the Registered Office of the Company the necessary form which when completed must be lodged at that office on or before Monday, 14th July, 1980.

Forms of Proxy must be received at the Company's Head Office not later than 11.30 a.m. on Saturday, 19th July, 1980.

The Company has, however, arranged for its United Kingdom Registrars to accept proxies at The Lawn, Speen, Newbury, Berkshire, provided they are lodged with the Registrars not later than 11.30 a.m. on Monday, 14th July, 1980

TRANSPARENT PAPER LIMITED

ORDINARY SHARES

The final dividend in respect of the year ended 29th March, 1980 of 3.7933p per share on the Issued Ordinary Shares of the Company is payable on 1st August, 1980 to Shareholders on the registers as at 7th July, 1980.

By Order of the Board
G. P. COOPER,
Secretary.

Registered Office,
Bridge Hall Mills,
Bury, Lancashire.

LEGAL NOTICE

BHS (COIN-OP SERVICES LONDON) LIMITED
TRADING AS
CENTRAL PARTS SUPPLY (LONDON) & COMPANY

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the creditors of BHS (COIN-OP SERVICES LONDON) LIMITED will be held at Fairfax House, Fulwood Place, London, WC1V 6DW on Monday, the 30th day of June 1980 at 11.30 o'clock in the forenoon, for the purposes provided for in Sections 294 and 295.

Dated the 12th day of June, 1980.
E. W. D. BARNARD, Director.

PUBLIC NOTICE

3 RIVERS DISTRICT COUNCIL
£400,000 Bills issued 19.6.80 Maturing 18.9.80. £400,000 Bills issued at 15[illegible]%. Total application £2m. Amount outstanding £400,000.00.

BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of
BUILDING SOCIETY RATES
on offer to the public.
For further details please ring 01-248 8000 Extn. 266

INSURANCE

The perils of carrying cash

BY OUR INSURANCE CORRESPONDENT

ON EVERY working day, employers require staff to carry cash to or from the bank, or between company shops, offices and factories.

The amounts are often small, perhaps sometimes a few thousands, because of the danger of criminal attacks. Where larger sums have to be moved, specialist security firms are usually called in.

The employer has a legal duty to take reasonable care for the safety of his staff, so when he asks a cashier or wages clerk to fetch or carry money, he must have regard to the risk of attack.

Negligent

On general legal principles "a person must be regarded as negligent if he does not take steps to eliminate a risk which he knows or ought to know is a real risk and not a mere possibility . . . . ."

Last week the Court of Appeal had to consider whether or not the defendant employers had been negligent. The case before the court, *Charlton v Forrest Printing Ink Co. Ltd.* arose out of a robbery in Barking in February 1977, when Mr. Charlton, the chief chemist and manager of the company was attacked with ammonia, while carrying some £1,500 wages, and nearly blinded.

Mr. Charlton's claim against his employers for compensation first came before Mr. Justice Forbes in the Queens Bench Division in October 1978. He came to the conclusion that in all the circumstances the company should have employed a security organisation to collect the money; as this had not been done, Mr. Charlton was entitled to damages.

But last week, all three judges in the Court of Appeal decided that the company was entitled to require its employees to collect weekly wages of around £1,500, provided instructions had been given to vary the vehicles used, routes, parking places and so on.

Since the evidence was clear that instructions had been given, Mr. Charlton lost his right to compensation from his employers.

February, 1977 is 3½ inflationary years ago, so the reasonable employer can seemingly now ask that staff carry at least £2,500.

But this amount seems to be low, when judged by two criteria.

The first is the evidence of the assistant manager of Barclays Bank in Barking. At the trial in October, 1978 he said that in February, 1977, all the bank's customers with payrolls of over £3,000 used security carriers: £3,000 then must be around £5,000 now.

The second is the practice of insurers in the provision of money cover. Other than in the most unusual circumstances insurers do not now require the employment of security carriers for amounts below £7,500—and quite a few seem ready to insure staff transits of up to £10,000.

Amount is clearly an important factor in determining whether it is reasonable to tell an employee to carry money, for the greater the amount, the more worthwhile is it for thieves to plan an attack.

Advice

But other factors to be taken into account are the frequency or irregularity of transits, whether the area has a high crime risk, the time of day or night, the variation of routes and vehicles used, and so on.

Undoubtedly the larger the transit, the greater care the employer has to take to ensure that all these other factors are properly evaluated.

In deciding what is reasonable, the employer can and should seek the advice of his employer's liability and money insurers, for it is clearly foolish to ignore their experience.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
June 23-27	Chemical and Process Engineering Show—EUROCHEM (01-995 4806)	NEC, Birmingham
June 24	Intel Microcomputer Fair (0793 26101)	Wembley Conference Centre
June 25-28	CATCH 80—Aberdeen International Fisheries, Processing and Marine Equipment Exhibition (01-353 4885)	Aberdeen
July 1-3	Energy Show (01-837 3636)	Cunard International Hotel, W
July 1-3	Temperature Measurement and Control Exhibition an Conference (0822 4671)	Wembley Conference Centre
July 6-10	Autumn 80 Lightshow (02488 396)	NEC, Birmingham
July 8-10	Great Yorkshire Agricultural Show (0423 61536)	Harrogate
July 9-6	Royal Tournament (01-930 6009)	Earls Court
July 11-20	Taste of Asia Exhibition (01-272 4287)	Olympia
July 15-16	Exhibition and Conference on Micro Technology—MICROFAX (061-236 4612)	Manchester
July 18-20	Motor Cycle Show (0384 56348)	Chester
July 22-24	Microcomputer Show (0895 39262)	Wembley Conference Centre
Aug. 1-4	Scottish Furniture Trades Exhibition (041 649 1954)	Kelvin Hall, Glasgow
Aug. 3-7	International Gifts Fair (01-855 9201)	Olympia
Aug. 11-13	Computer Graphics Exhibition (0895 39262)	Metropole Hotel, Birmingham
Aug. 14-25	Ideal Home and Leisure Exhibition (0202 20327)	Newcastle University
Aug. 17-23	British Musical Instruments Trade Fair (01-855 9201)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Solar Energy Exhibition (until June 26)	Genoa
Current	World Frozen Food Exhibition (01-629 8817) (until June 26)	Monte Carlo
June 24-27	ASEE Educational Resources Exhibition (01-437 0678)	Massachusetts
June 28-July 4	International Solar Forum (02013 4450)	Hamburg
June 28-July 6	International Welding Exhibition (01-278 0281)	Brno
July 1-4	Motor Show, Components and Accessories Exhibition	Braga
July 1-4	Latin American Oil Show (01-222 0466)	Rio de Janeiro
July 2-6	Audio Visual Exhibition AUVI (021-705 6707)	Singapore
July 7-11	International Training and Educational Symposium and Exhibition—INSTRUCTA (01-486 1951)	Johannesburg
July 11-17	National Boat Show	Melbourne
July 16-24	International Photogrammetry Trade Exhibition	Hamburg
July 26-Aug. 3	Trade Fair	Dornbirn
Aug. 8-17	Modern Family Exhibition (02013 4450)	Hamburg

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
June 24	Oyez: Pensions in the private sector (01-242 2481)	Grosvenor House, W1
June 25-27	Monotype International: Typographical Quality and Modern Technology are Compatible (91 65959)	Queens College, Cambridge
June 26-27	AMR: Banking and Finance in the Middle East (01-262 2732)	London Press Centre, EC4
July 1	Spicer and Pegler: The office of the 80s (01-283 2883)	Great Eastern Hotel, EC2
July 3	CCC: Use of Offshore Financial Centres—Cyprus (01222 6362)	Royal Lancaster Hotel, W2
July 4	ESC: The Companies Act 1980 (01-262 1234)	Cumberland Hotel, W1
July 6-11	University of Bradford Management Centre: Sales Management (Bradford 42299)	Heaton Mount, Bradford
July 7-11	Institute of Personnel Management: The Work of The Personnel Department (01-387 2844)	Embassy Hotel, W2
July 8	BIM: Micros—The real costs and how to fund them (01-405 3456)	Mount Royal Hotel, W1
July 9	Institute of Chartered Secretaries: The Companies Act 1980 in Practice (01-580 4741)	London Press Centre
July 9-10	The Plastics and Rubber Institute: Plastics on the Road (01-245 9555)	Kenilworth
July 11	ESC: Norwegian Taxation: A specialist conference for the oil and gas industry (057 282 2711)	Carlton Tower Hotel, SW1
July 14-18	ASM: Inventory Control and the Microcomputer (01-385 1992)	Pembroke College, Oxford
July 14-25	FT Course: Financial Management for the non-financial executive (01-621 1355)	The City University
July 15	Oyez IBC: Estate Agents' Remuneration—Sell a Property and get no commission? (01-242 2481)	Duchess Mews, W1
July 16	LCCI: Iraq (01-248 4444)	Cannon Street, EC4
July 17	Oyez-IBC: How to Cope with Personnel Problems (01-242 2481)	Cavendish Conference Centre, W1
July 17-18	Brunel Institute: Inter-Personal Effectiveness Workshop (0895 56461)	Uxbridge
July 20-25	Oyez-IBC: The Language of the Law (01-242 2481)	Lady Margaret Hall, Oxford
July 22-24	The Institution of Civil Engineers: Flood Studies Report—5 years On (01 222 7772)	University of Manchester
July 22-23	Online: Microelectronic Applications (09274 28211)	Wembley Conference Centre
July 22-23	University of Bradford Management Centre: The Causes and Symptoms of Company Failure (Bradford 42299)	Heaton Mount, Bradford
July 23	Bacie: Introduction to Television in Training (01-636 5351)	City University, London
July 28-Aug. 15	Compower Training School: Basic COBOL (Cannock 2511)	Cannock, Staffs.
Aug. 4-6	MSS: Inventory Management and Control (Worthing 34755)	Worthing
Aug. 7-8	British Institute of Management: Effective Speaking—Practice and Coaching using Closed Circuit TV (01-405 3456)	Parker Street, WC2

Financial Times Conferences

SPAIN AND THE COMMON MARKET — POLICY AND ALTERNATIVES
Madrid — October 8 and 9, 1980

The application by Spain for entry to the Common Market has been the subject of lengthy and delicate negotiations. The difficulties facing the Government in tackling this issue are heightened by the parallel tasks of introducing fundamental changes in the structure of the country's administration and the policy for economic development. The conference has received the support of the Government and leading ministers will be making presentations together with distinguished international speakers with business interests.

AUSTRALIA — THE ATTRACTIONS FOR FUTURE INVESTMENT
Melbourne — October 30 and 31, 1980

The Australian economy is showing marked strength and its development would seem assured. International investors have shown much interest in the potential scope for the development of its energy and mineral resources together with the industry based on them. The conference, which has the support of the Government, will examine the state of the economy and the policies of the Government for its further development. Opportunities for investment and business in co-operation with the Australians will also be examined.

All enquiries should be addressed to:
Financial Times Limited
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX

Tel: 01-621 1355
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

CONTRACTS

Switchgear for Thames flood defence

SUNDERLAND FORGE AND ENGINEERING, part of British Shipbuilders, has won a £750,000 contract from the Greater London Council to manufacture and install low voltage switchgear in the Thames barrier flood defence system. The switchgear will be fitted inside the piers forming part of the barrier now being built at Woolwich Reach, and will control the power supply to hydraulic machinery operating the barrier gates. Delivery of the switchgear to the site will begin this autumn and be completed during 1982.

★

Peachey Property Corporation has awarded the contract for the refurbishment of Craven House, on the Carnaby Estate, to WOODWARD AND CO. (FINSBURY) at a figure of £630,000, to provide 20,000 sq. ft. of studio and office accommodation on five floors to be completed by spring, 1981.

★

Aberdeen Barytes (a Dresser group company) has awarded a £600,000 North Sea oil supplies transport contract to FREIGHTLINER. *The contract covers a* two-year period and is for carrying 100 tons of barytes daily in "paste" form from Wirksworth in Derbyshire to Aberdeen.

★

The northern construction division of WILLIAM PRESS AND SON, hase been awarded a £372,000 contract by Durham County Council for extensions to the Darlington College of Technology, County Durham.

★

Cambridge builders JOHN BRIGNELL AND CO. have won *a £350,000 contract to build new* premises for Marlow and Co. of Bury St. Edmunds, one of East Anglia's timber and builders' merchants'. Work involves the construction of new Cambridge premises in Nuffield Road comprising 15,000 sq. ft. of warehousing and sawmill space, together with offices and open storage space.

★

Automotive Engineering Limited, a company in the engine parts division of GKN, has placed an order with BIRLEC for a solution and precipitation heat treatment plant worth around £180,000. The plant is to be installed in the company's new factory at Wattstown, Rhondda, and will be used for the heat treatment of aluminium alloy pistons.

Further gain seen at Ito Yokado

By Rod Oram

ITO-YOKADO, Japan's second largest retailer by sales, expects a 24 per cent increase in operating profit in the year ending February, 1981, Mr. Masatoshi Ito, president, said in London.

In fiscal 1980 the group had operating profit of Y33bn on sales of Y624bn ($2.49bn).

Mr. Ito said the retailing industry's prospects for the year are quite good with household expenditures remaining strong. But competitive pressure has made it hard for Ito-Yokado to "fully maintain retail margins."

The group credited its strong expansion programme for last year's 21 per cent gain in sales and 24 per cent gain in operating profits despite "an unfavourable business climate."

It plans continued strong expansion this year with the opening of 11 superstores, six supermarkets and 58 restaurants. Capital spending is budgeted at more than $200m, against $168m last fiscal year.

$1.3m loss at Dentsply UK

By Our Financial Staff

DENTSPLY, the UK subsidiary of Dentsply International of the U.S., a major world supplier of dental products, announced in London a pre-tax loss of £559.000 ($1.3m) for 1979, compared with a loss of £3.1m previously.

However, A. D. International, in turn a subsidiary of Dentsply of the UK, turned a loss of £579,000 into a profit of £161,000 last year.

New York banks take up Nassau CD financing

BY DAVID LASCELLES IN NEW YORK

IN A novel financing, which should secure them slightly cheaper funds than on Wall Street, two large New York banks, Citibank and Morgan Guaranty, have issued certificates of deposit (CDs) through their Nassau branches in the Bahamas.

Each bank sold $100m worth of CDs with three-month maturities, which will remain in the custody of their Nassau branches. However, the banks have also issued negotiable instruments against them in New York so that they can be traded on the U.S. markets. In this regard, the instruments differ from CDs issued on the Euromarkets.

The market itself will be made by Salomon Brothers, the Wall Street investment house, which bought up both CD issues.

Mr. Tom Strauss, head of Salomon's money market operations, said the idea of Nassau CDs had been under consideration for two years, and had a number of advantages.

The instruments would be free from the Fed's reserve requirements, therefore slightly cheaper. The offshore risk would partially offset this advantage. But Mr. Strauss estimated that a CD costing 9 per cent on Wall Street could be issued through Nassau at 8¾ to 8⅞ per cent.

The fact that Nassau is in the same time zone as New York eliminates the delay involved in settlements between the Euromarket and the U.S., known as the "daylight" risk.

The Fed has been informed of the banks' plans and has apparently raised no objection.

Mr. Strauss claimed that a number of other large banks were studying the possibility of issuing Nassau CDs of their own.

Confidence at IC Industries

BY OUR FINANCIAL STAFF

BUILDING ON first quarter results which exceeded expectations, IC Industries, the Chicago-based railroad, commercial and consumer products group, expects "another good year," John Fagan, vice-president of finance, said in London.

The U.S. economic downturn has hit some of the company's activities but others will do well enough for it to ride out the recession, he added.

As previously reported, IC earned $22.5m after tax on revenues of $972.8m in the first quarter ended March 31 against $5.9m on $838.6m a year earlier during an unusually severe winter.

The commercial products division with pre-tax profits of $20m on revenues of $251.8m in the first quarter ($18.2m on $213.5m a year earlier) is typical of the mix of weak and strong lines of business.

Metal castings are performing well while world-wide results of its automotive components business are likely to be lower this year than last. Over the first five months of this year European demand had compensated for the U.S. decline but it is now falling off.

On its consumer goods side IC expects most activities including soft drinks, refrigeration and other stores equipment, and food products to perform satisfactorily.

The railroad division started the year with "five good months but although recession will hit in the last seven months it will be a good year overall," Mr. Fagan said.

Little change at Norcem

BY FAY GJESTER IN OSLO

NORCEM, NORWEGIAN producer of cement and building materials with interest in offshore oil activties, had a group loss of NKr 56m ($11.4m) in the first four months of this year, compared with a loss of NKr 60m in the same period of 1979. For the year as a whole, the group expects a slightly better result than the NKr 29m after tax achieved last year.

Total turnover in the period reached NKr 801m—8 per cent up on a year earlier.

Cement sales to the domestic market were 7 per cent up, and exports of cement and clinker rose by 200,000 tonnes to 1.1m tonnes. Sharply increased shipments to Saudi Arabia helped offset a fall in sales to Liberia and Ghana, as a result of political and economic difficulties in West Africa.

CURRENCIES, MONEY and GOLD

European rates set to fall

BY COLIN MILLHAM

European interest rates seem poised for a downward move, but this could be delayed by monetary policy and the fear that a premature reduction may send the foreign exchange market into disarray.

Treasury certificate rates were reduced twice in Belgium last week, while Swiss rates are expected to fall in the near future.

Much will depend on the action of the German Bundesbank however, where the president, Herr Karl Otto Poehl, has stated recently that a tight policy will prevail and this means no immediate cut in Germany's key lending rates.

It was therefore rather surprising that the Dutch central bank cut its discount rate to 9½ per cent from 10 per cent on Friday. On the other hand despite the importance of the German economy to countries such as Holland, Belgium and Switzerland, the Dutch guilder has been one of the stronger members of the European Monetary System recently, while the D-mark has drifted towards the lower reaches of the system.

Market observers in Zurich seem fairly sure that Swiss rates will also decline, and view with some scepticism claims that German rates will not be cut within the next week or so.

This may yet prove good news for the beleaguered Italian lira, which has fallen to the bottom of the EMS after showing a very strong performance for most of last year.

Italy is suffering from the twin problems of high inflation and a severe balance of payments deficit. But a continuation of high Italian interest rates, coupled with the lower trend elsewhere, could save the day. The Bank of Italy also has extensive foreign exchange and gold reserves to defend the lira, although a devaluation at some time this year can not be ruled out.

At the same time U.S. interest rates may decline further as the recession continues to bite, while each Thursday for the last two weeks groundless rumours have circulated about an imminent cut in Bank of England Minimum Lending Rate.

GOLD

	June 20		June 19	
Gold Bullion (fine ounce)				
Close	$602-605	(£257¼-258¾)	$599-602	(£257-258½)
Opening	$604-607	(£259-260½)	$597-600	(£256-257½)
Morning fixing	$603.75	(£258.587)	$598	(£257.370)
Afternoon fixing	$602.90	(£257.705)	$599	(£257.274)
Gold Coins				
Krugerrand	$621-624	(£265½-267½)	$617½-620½	(£265-267)
Mapleleaf	$620-623	(£265-267)	$617-620	(£264½-266½)
New Sovereigns	$152¾-153¾	(£65¼-66¼)	$151¾-152¾	(£65-66)
King Sovs	$177-179	(£75½-76½)	$178-180	(£76-77)
Victoria Sovs	$177-179	(£75½-76½)	$178-180	(£76-77)
French 20s	$155-158		$154-157	
50 pesos Mexico	$747-750		$741-746	
100 Cor. Austria	$595-600		$586-591	
$20 Eagles	$698-701		$697-700	
$10 Eagles	—		—	
$5 Eagles	—		—	

OTHER CURRENCIES

June 20	£	$		£ Note Rates
Argentina Peso	4302-4322	1842-1849	Austria	29.20-29.50
Australia Dollar	2.0205-2.0245	0.8650-0.8655	Belgium	65.80-66.40
Brazil Cruzeiro	120-121	51.445-51.645	Denmark	12.75-12.85
Finland Markka	8.512-8.522	3.6400-3.6450	France	9.55-9.61
Greek Drachma	99.621-101.938	42.60-43.00	Germany	4.11½-4.15
Hong Kong Dollar	11.49-11.52	4.9220-4.9240	Italy	1915-1955
Iran Rial	n/a	n a	Japan	506-511
Kuwait Dinar(KD)	0.619-0.625	0.2665-0.2666	Netherlands	4.51-4.54½
Luxembourg Frc.	65.98-66.08	28.27-28.29	Norway	11.28-11.37
Malaysia Dollar	4.9925-4.5100	2.1370-2.1390	Portugal	111-115
New Zealand Dlr.	2.3630-2.3680	1.0115-1.0125	Spain	158¾-159¼
Saudi Arab. Riyal	7.73-7.79	3.3290-3.3310	Sweden	9.68-9.76
Singapore Dollar	4.9350-4.9500	2.1125-2.1145	Switzerland	3.78½-3.81½
Sth. African Rand	1.8055-1.8075	0.7730-0.7740	United States	2.326-2.336
U.A.E. Dirham	8.598-8.5	3.7015-3.7035	Yugoslavia	62-66

Rate given for Argentina is free rate

THE DOLLAR SPOT AND FORWARD

June 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3260-2.3425	2.3350-2.3360	1.72-1.62c pm	8.58	4.40-4.30 pm	7.45
Ireland†	2.1160-2.1190	2.1165-2.1185	1.50-1.40c pm	8.22	4.30-4.20 pm	8.03
Canada	1.1492-1.1502	1.1497-1.1501	0.40-0.45c dis	−4.43	0.70-0.75dis	−2.52
Nethlnd.	1.9360-1.9410	1.9365-1.9380	0.20-0.30c dis	−1.55	0.55-0.65dis	−1.24
Belgium	28.27-28.31	28.27-28.29	12-14c dis	−5.51	34-37 dis	−5.02
Denmark	5.4880-5.4960	5.4880-5.4895	4.25-4.75ore dis	−9.83	13.25-.75dis	−9.83
W. Ger.	1.7670-1.7730	1.7675-1.7685	0.02pf pm-.08dis	−0.20	0.12-0.02 pm	0.16
Portugal	48.90-49.04	48.93-49.03	28-43c dis	−8.70	70-120 dis	−7.76
Spain	70.10-70.20	70.13-70.17	55-70c dis	−10.69	165-190 dis	−10.12
Italy	836.00-837.00	836.00-836.30	6-7lire dis	−9.33	20-21 dis	−9.81
Norway	4.8565-4.8605	4.8565-4.8575	0.35ore pm-0.15dis	0.25	0.30-0.80dis	−0.45
France	4.1015-4.1200	4.1050-4.1070	1.04-1.14c dis	−3.18	3.10-3.30dis	−3.12
Sweden	4.1620-4.1685	4.1620-4.1660	1.65-1.80ore dis	−4.97	5.40-5.55dis	−5.26
Japan	216.60-217.30	217.05-217.15	0.70-0.85y dis	−4.28	1.25-1.40dis	−2.44
Austria	12.58¼-12.59¼	12.58¼-12.59¼	1.60-2.20gro dis	−1.81	3.50-5.25dis	−1.39
Switz.	1.6290-1.6340	1.6315-1.6325	0.50-0.43c pm	3.42	1.52-1.45 pm	3.64

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

June 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3260-2.3425	2.3350-2.3360	1.72-1.62c pm	8.58	4.40-4.30 pm	7.45
Canada	2.6775-2.6900	2.6840-2.6860	1.12-1.02c pm	4.78	3.65-3.55 pm	5.36
Nethlnd.	4.51-4.54	4.52¼-4.53¼	3¼-2¼c pm	7.29	7⅝-6⅞ pm	6.51
Belgium	65.80-66.25	65.98-66.08	23-13c pm	3.27	50-40 pm	2.73
Denmark	12.80-12.85	12.80¼-12.81¼	1-2½ore dis	−1.64	7¼-9¼ dis	−2.65
Ireland	1.0990-1.1055	1.1038-1.1048	0.04p pm-par	0.22	0.20-0.10 pm	0.54
W. Ger.	4.11½-4.14½	4.12½-4.13½	3⅛-2⅛pf pm	8.35	8⅜-7⅜ pm	7.63
Portugal	114.00-114.60	114.40-114.69	15-25c dis	−2.10	42-77 dis	−2.08
Spain	163.50-164.15	163.75-163.85	par-45c dis	−1.65	45-105 dis	−1.83
Italy	1,948-1,956	1,952-1,954	par-2lire dis	−0.61	8-10 dis	−1.84
Norway	11.31-11.37	11.33½-11.34½	8½-7ore pm	8.20	19⅞-18¼ pm	6.68
France	9.57½-9.62	9.59-9.60	4¼-3¼c pm	5.31	11-10 pm	4.38
Sweden	9.70-9.74½	9.71¼-9.72¼	4-3¼ore pm	4.55	7¼-7 pm	3.03
Japan	503-508	506½-507½	2.05-1.80y pm	4.56	6.70-6.45 pm	5.19
Austria	29.30-29.45	29.34-29.39	17-14gro pm	6.33	45-40 pm	5.79
Switz.	3.79-3.82½	3.80¼-3.81¼	4½-3½c pm	12.59	11¼-10¼ pm	11.15

Belgian rate is for convertible francs. Financial franc 66.40-66.50. Six-month forward dollar 6.56-6.50c pm. 12-month 9.75-9.65c pm.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 20)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 5/16	offer 9 7/16	bid 9 1/2	offer 9 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

June 20	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	17¾-18	8⅞-9⅛	9-10	10⅞-11⅛	5¼-5¾	9 1/16-9 5/16	12½-12⅞	15-17	5¾-3⅞	12¼-12¾
7 days' notice	17½-17¾	9-9¼	9-10	10⅞-11⅛	6¼-6¾	9⅝-9¾	12½-12⅞	18½-19½	9-9⅛	16¾-17¼
Month	17½-17¾	9⅛-9⅜	12⅜-12¾	10⅛-10¼	5⅝-5¾	9⅜-9½	12 1/16-12 5/16	18-19½	9⅛-9¼	13⅝-15⅝
Three months	16¾-17	9¼-9⅛	10⅛-10½	10⅜-10⅝	5 9/16-5 11/16	9 5/16-9 7/16	12 3/16-12 7/16	18-19	9 3/16-9 5/16	11⅛-11¾
Six months	15⅜-15⅝	9⅜-9⅝	10½-10⅞	10½-10¾	5 5/16-5 7/16	8⅝-8¾	12 5/16-12 9/16	18-19	9⅝-9½	10½-10⅝
One Year	14-14¼	9¼-9⅛	10¼-10⅝	10 10¼	5-5⅛	8⅛-8¼	12 7/16-12 11/16	18-19	9¼-9⅜	9-9¼

The following nominal rates were quoted for London dollar certificates of deposit: one-month 8.95-9.05 per cent; three-months 8.95-9.05 per cent; six-months 8.85-8.95 per cent; one year 8.90-9.00 per cent.

Long-term Eurodollar two years 10-10¼ per cent; three years 10¼-10½ per cent; four years 10⅜-10⅝ per cent; five years 10⅝-10⅞ per cent; nominal closing rate. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

June 20 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Over night	—	10-20	—	—	—	—	15-17	—	—	—
2 days notice	—	—	17⅜-17⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	18¼-18½	17½-17⅝	—	18½	16¾-17	16⅞-17	—	—	—
One month	17¾-17 7/16	17½-17⅝	17-17⅛	18⅛-18½	18	18	16¾	15 9/16-15⅝	17¼	18
Two months	17¼-17	17⅛-17¼	—	17¼-17⅝	17⅛	—	16⅜	15 11/16	16¾	17½
Three months	16⅞-16 11/16	16 9/16-16 11/16	16⅝-16⅛	16¾-17⅛	17¾	17⅞-18	16⅛	15 23/32-15¾	16⅛-16 3/16	16¾
Six months	15⅜-15¼	15⅜-15⅛	16¼-15⅛	16⅛-15⅝	16⅛	17¼-17⅛	—	—	14⅝	15⅝
Nine months	14¼-14	14⅜-14½	—	14⅝-15⅛	14⅞	16	—	—	—	—
One Year	13 15/16-13 13/16	14⅛-14¼	13⅞-14⅛	14⅛-14⅝	14 1/16	15¼	—	—	—	—
Two years	—	—	13⅞-14	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 13¾ per cent; four years 13¾ per cent; five years 13¾-13¾ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15⅝ per cent; four-month trade bills 16¾ per cent.

Approximate selling rate for one-month Treasury bills 15 7/16-15 9/16 per cent; two-months 15 9/16 per cent; three-months 15⅝-15 23/32 per cent. Approximate selling rates for one-month bank bills 17⅛ per cent; two-months 16¾ per cent; three-months 16-16 3/16 per cent; one-month trade bills 17¾ per cent; two-months 17¾ per cent; and three-months 16½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17½ per cent from June 1, 1980. Closing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 16.7338 per cent.

CURRENCY RATES

June 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.565533	0.609656
U.S. $	11	1.32082	1.42324
Canadian $	10.67	1.51767	1.63744
Austria Sch.	6¾	16.6293	17.9400
Belgian F.	14	37.3575	40.2635
Danish K.	13	7.25494	7.81217
D'Mark	7½	2.33732	2.51686
Guilder	9½	2.56049	2.75625
French Fr.	9½	5.42800	5.85814
Lira	15	1103.95	1189.12
Yen	9	286.949	309.057
Norwgn. Kr.	9	6.41773	6.91339
Spanish Pts.	8	92.6054	99.8333
Swedish Kr.	10	—	5.92566
Swiss Fr.	3	2.15469	2.32250

PENDING DIVIDENDS

	Date	Announcement last year		Date	Announcement last year
AAH	July 23	Final 3.975	Lloyds Bank	July 20	Int. 6.25
Airfix	July 12	Final 2.291	Lond. & Midland Ind.	July 3	Final 4.1
Alexanders Discount	July 16	Int. 4.5	Lonrho	July 29	Int. 2.64
BAT Inds.	June 26	Final due	Magnet and Southerns	July 17	Final 6.0
*BPB Inds.	June 25	Final 9.0	Meyer (M. L.)	July 16	Final 3.75
Bank Leumi (UK)	July 25	Int. 2.8	Midland Bk.	July 27	Int. 7.5
Barclays Bk.	July 28	Int. 8.25	NatWest	July 24	Int. 7.25
Birmid Qualcast	July 18	Int. 1.5	News Intl.	June 25	Int. 3.0
*Brown (John)	July 25	Final 10.239	*Norcross	June 27	Final 3.18
Cawoods	July 26	Final 4.46	Plessey	June 28	Final 3.645
Chubb	June 27	Final 3.478	*Powell Duffryn	June 25	Final 7.1
Crown House	July 16	Final 2.5	*Rank Org.	July 14	Int. due
Daily Mail & Gen. Tst.	June 12	Int. 9.368	Ratners (Jewellers)	July 15	Final 1.925
Davy Cpn.	July 26	Final 4.7	*Redland	June 26	Final 4.0
Distillers	July 19	Final 6.75	*Renold	June 26	Final 7.55
Dowty	July 19	Final 5.0	*Rothmans Intl.	July 12	Final 1.65
*Elliott (B.)	June 25	Final 7.25	Rothschild Inv. Tst.	July 9	Final 7.0
Fitch Lovell	July 26	Final 3.388	*SGB	July 1	Int. 3.15
GEC	July 5	Final 4.0	*Scot. & Newc. Brews.	July 3	Final 2.527
Gestetner	July 18	Int. 2.5	*Stead and Simpson	June 3	Final 2.05
Granada	June 20	Int. 1.44	Thorn EMI	July 13	Final 9.4
*Gt. Northern Inv. Tst.	June 23	Int. 1.5	Town and City Prop.	July 13	Final 0.01
GUS	July 19	Final 6.471	*Trusthouse Forte	June 15	Int. 2
Greene King	July 5	Final 6.0	Unigate	July 17	Final 3.2
Haslemere Estates	July 19	Final 3.37	*Union Discount	July 16	Int. 6.375
Heron Motor	July 17	Final 0.92	*Utd. Gas	July 10	Final 3.395
Hogg Robinson	July 17	Final 2.24	*Whitecroft	June 23	Final 5.2
Illingworth Morris	July 18	Final 1.15	*Wilkinson Match	June 24	Final 7.14
*IC Gas	July 1	Final 12.0			
*Imperial	July 10	Int. 2.75			
Inchcape	July 26	Final 10.0			
Initial Services	July 20	Final 4.0			
*Kenning Motor	June 24	Int. 1.75			
Lindustries	June 21	Final 6.6			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p‡	+ or −	Div. p. or Amount	Times Covered	Gross Yield	P.E. Ratio
55	F.P.	20/6	88	74	Home Farm Prods 10p	85	+2	b2.9	2.5	4.9	11.6
—	F.P.	—	8½	3	††Jenkin & Purser	8	+1	—	—	—	—
§83	F.P.	27/6	91	79	Oakwood Group	79½	−½	65.5	2.4	11.7	5.1
100	F.P.	27/6	110	93	Peerless	95	−1	b6.3	2.8	9.6	4.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
‖	F.P.	3/6	148	111	Automated Sec. 8% Cnv. Uns. Ln. '95	148	.....
100	F.P.	—	99½	99	Can. Imp. Bk. of Commerce 11% Deb. 1985	99½	+½
‖	Nil	—	15pm	10pm	Challenge Corp. 16pc Pref. NZ $2.20	10pm	.....
¶¶	F.P.	—	98	98	Cowie (T.) 10½% Conv. Red. Cum. Pref.	98	.....
100	F.P.	—	100¼	100¼	Dalel 8½% Conv. Bds. due 1995	100¼	.....
¶	F.P.	4/9	102½	101⅞	Folkstone & District Water 10pc Pref '85	102½	.....
¶¶	F.P.	—	65	63½	London & Midlandinds 8½ pc Deb. '89-94	64½	.....
¶	F.P.	30/5	102	99½	Mid Southern 10% Red Prf. 1985	101	+1½
‖	F.P.	19/6	114	107½	NSS Newsag'ts 10% Cnv. Uns. Ln. 1990-2000	114	.....
‖	F.P.	27/6	104	101	North Brit. Props. 9½% Cov. Uns. Ln. 1998	106	+1
¶	F.P.	4/9	102⅝	101⅞	North Surrey Water 10pc Pref. 1985	102½	.....

"RIGHTS" OFFERS

Issue Price p‡	Am'unt Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing prices p‡	+ or −
115	Nil	—	—	24pm	17pm	Brown & Jackson	24pm	.....
100	Nil	3/7	7/8	40pm	35pm	Carless Capel	40pm	+1
6b	Nil	29/5	4/7	100	80	Clifford's Dairies 'A'	100	+4
200	F.P.	—	—	778	573	Clyde Petroleum	583	+10
18	Nil	30/5	20/6	19½	18	East Rand Cons.	19½	.....
54	F.P.	11/6	23/7	65	61	Eleco	63	−1
40	Nil	30/5	18/7	47	41½	Hawley Leisure	44	.....
263	Nil	—	—	70pm	44pm	Land Securities	64pm	.....
118	F.P.	3/6	18/7	146	124	Linfood	146	+1
126	Nil	—	8/8	147pm	127pm	Lloyds & Scottish	147pm	.....
60cts	Nil	—	—	435pm	180pm	Pancontinental	330pm	.....
54	F.P.	9/5	27/6	79	67	Rugby Portland Cement	78	+½
98	F.P.	20/6	18/7	144	128	Silvermines	143	−2
180	F.P.	14/5	27/6	308	194	Unitech	303	+5

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

BASE LENDING RATES

A.B.N. Bank	17 %	□ Guinness Mahon	17 %
Allied Irish Bank	17 %	■ Hambros Bank	17 %
American Express Bk.	17 %	■ Hill Samuel	§17 %
Amro Bank	17 %	C. Hoare & Co.	†17 %
Henry Ansbacher	17 %	Hongkong & Shanghai	17 %
A P Bank Ltd.	17 %	Industrial Bk. of Scot.	17½%
■ Arbuthnot Latham	17 %	Keyser Ullmann	17 %
Associates Cap. Corp.	17 %	Knowsley & Co. Ltd.	19 %
Banco de Bilbao	17 %	Langris Trust Ltd.	17 %
Bank of Credit & Cmce.	17 %	Lloyds Bank	17 %
Bank of Cyprus	17 %	Edward Manson & Co.	18 %
Bank of N.S.W.	17 %	Midland Bank	17 %
Banque Belge Ltd.	17 %	■ Samuel Montagu	17 %
Banque du Rhone et de la Tamise S.A.	17½%	■ Morgan Grenfell	17 %
Barclays Bank	17 %	National Westminster	17 %
Bremar Holdings Ltd.	18 %	Norwich General Trust	17 %
Brit. Bank of Mid. East	17 %	P. S. Refson & Co.	17 %
■ Brown Shipley	17 %	Rossminster	17 %
Canada Perm't Trust	18 %	Ryl. Bk. Canada (Ldn.)	17 %
Cayzer Ltd.	17 %	Schlesinger Limited	17 %
Cedar Holdings	17 %	E. S. Schwab	17 %
■ Charterhouse Japhet	17 %	Security Trust Co. Ltd.	18 %
Choulartons	17 %	Standard Chartered	17 %
C. E. Coates	17 %	Trade Dev. Bank	17 %
Consolidated Credits	17 %	Trustee Savings Bank	17 %
Co-operative Bank	*17 %	Twentieth Century Bk.	17 %
Corinthian Secs.	17 %	United Bank of Kuwait	17 %
The Cyprus Popular Bk.	17 %	Whiteaway Laidlaw	17½%
Duncan Lawrie	17 %	Williams & Glyn's	17 %
Eagil Trust	17 %	Wintrust Secs. Ltd.	17 %
E. T. Trust Limited	17 %	Yorkshire Bank	17 %
First Nat. Fin. Corp.	19½%		
First Nat. Secs. Ltd.	19 %		
Robert Fraser	17 %		
Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%. 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	14⅞	½-year	1,000	1
Redbridge (01-478 3020)	13¾	½-year	200	3-4
Redbridge (01-478 3020)	13¾	½-year	200	5-6

Public Works Loan Board rates

Effective from June 14

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	13¾	13¾	13¾	15¼	15	14¾
Over 5, up to 10	14	14¼	14¼	14¾	14¾	14¾
Over 10, up to 15	14¼	14¼	14¼	14¾	14¾	14¾
Over 15, up to 25	14½	14½	14¾	14¾	14¾	14¾
Over 25	14½	14¼	14¾	14¾	14¾	14¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Guernsey. (0481) 24706

Schlesinger International Mngt. Ltd.
41, La Motte St., St. Helier, Jersey. 0534 73588

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	48.4	52.0	-0.9	1.92
Abbey Capital	38.8	41.9	+0.2	6.01
Abbey General	50.6	54.1	+0.3	5.76
Abbey Gilt & F.I. Tst.	109.0	114.7	-0.2	9.35
Abbey Income	46.0	49.7	+0.1	8.12
Abbey Intl. Bd. Tst.	95.3	100.8	-0.4	5.46
Abbey Inv. Tst. Fnd.	40.3	43.6	+0.3	5.86
Equities Prog. Trust	73.8	79.8	+0.1	5.62

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt & Pref.	88.6	94.5	.....	12.02

Allied Hambro Ltd. (a) (b)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	80.2	86.9	+0.1	6.10
Brit. Inds. Fund	71.7	76.7	+0.2	6.78
Growth & Income	44.9	48.0	.....	5.79
Elect. & Ind. Dev.	39.5	42.3	.....	5.79
Allied Capital	83.8	89.2	+0.1	5.21
Hambro Fund	122.5	131.1	.....	6.62
Hambro Acc. Fund	155.5	166.4	+0.2	5.41
Income Funds				
High Yield Fd.	66.6	71.3	-0.1	10.17
High Income	72.9	78.0	-0.4	7.82
A. H. Eq. Inc.	42.8	45.8	-0.1	7.93
Govt. Secs.	25.2	25.9	-0.1	8.67
International Funds				
International	29.2	31.2	-0.3	3.46
Pacific Fund	50.2	53.7	+0.3	2.29
Secs. Of America	58.5	62.6	-0.9	2.88
Specialist Funds				
Smaller Co.'s Fd.	49.5	53.0	-0.1	4.72
2nd Smlr. Co's Fd.	57.9	61.9	.....	4.75

Emson & Dudley Tst. Mngmt. Ltd.
28b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	74.1	79.7	.....	6.00

Equity & Law Un. Tr. M. (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	79.6	83.7	+0.1	5.06

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891

American	23.6	25.2	-0.5	1.90
Fixed Interest	25.3	26.8	.....	12.85
Growth + Income	30.8	32.8	.....	7.44
Special Sits.	30.7	32.7	-0.2	2.86

James Finlay Unit Trust Magt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	29.2	31.4	.....	2.17
Accum. Units	35.9	35.6	.....	2.17
J. Finlay High Income	33.6	36.1	.....	10.07
J. Finlay Euro. Fin.	21.3	22.9	.....	3.93
Accum. Units	26.6	28.6	.....	3.93
J. Finlay Fd. In. Tst.	34.3	36.9	.....	5.34
Accum. Units	42.3	45.5	.....	5.34

Prices on June 18. Next dealing June 25.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American June 16	52.0	55.6	.....	1.19
Am. T'ground June 16	50.8	54.2	.....	2.00
Capital Tst.	54.0	57.4	.....	5.34
(Accum. Units)	54.6	58.4	-0.2	5.34
Extra Income Trust	50.2	53.6	.....	10.03
Income Tst.	37.4	40.0	.....	8.44
Int. Growth Fd.	44.4	47.4	-0.6	2.39
(Accum. Units)	47.4	50.6	-0.4	2.39

Friends' Provdt. Unit Tr. Mgrs.
Pixham End, Dorking. 0306 5055

Friends Prov. Units	53.2	56.8	.....	4.74
Do. Accum.	74.9	80.1	.....	4.74

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital June 19	125.9	127.6	+7.3	5.23
Gross Inc. June 19	75.6	78.1	+0.4	11.65
High Yield June 19	91.3	93.3	+6.3	10.14

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Income	120.5	128.1	+0.7	—
Do. Acc.	151.4	161.0	+0.8	3.30
G.T. Inc. Fd. Un.	174.7	185.8	+4.5	8.90
G.T. U.S. & Gen.	137.3	145.2	+1.1	2.50

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]

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"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

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LOANS

Public Board and Ind.

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AMERICANS

[illegible]

CANADIANS

[illegible]

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[illegible]

BANKS & HP—Continued

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Hire Purchase, etc.

[illegible]

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Copper

Miscellaneous

—		Anglo-Dominion	150	—	—	—	—
—		Barymin	57	—	—	—	—
May		Burma Mines 10p	15	14.4	0.62	1.1	6.0
Aug.	Feb.	Cons. Murch. 10c.	320	28.12	HQ180c	1.8	18.6
—		††Hemerdon 10c.	125	—	—	—	—
—		Northgate C$1	390	977	—	—	—
Jan.	July	R.T.Z.	425	72.5	15.0	3.2	5.0
—		Robert Mines	24	—	—	—	—
—		Sabina Inds. C$1.	30	—	—	—	—
—		††SWCM 10p	50	—	—	—	—
—		Tara Expin. $1	450	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- • "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✣ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	30	......	Conv. 9% '80/82	£89¾	......
Bertam	17	......	Nat. 9¾% 84/89	£79¾	......
Bdg'wtr. Est. 50p	415	-5	Fin. 13% 97/02	£89½	......
Clover Croft	60	......	Alliance Gas	43	-2
Craig & Rose £1	£10½	......	Arnott	368	......
Fife Forge	32½	......	Carroll (P.J.)	57xd	......
Finlay Pkg. 5p	18	......	Clondalkin	120	......
Graig Ship. £1	£15	-½	Concrete Prods.	75	......
Higsons Brew.	75	......	Helton (Hldgs.)	33	......
Holt (Jos) 25p	250	......	Ins. Corp.	245	......
I.O.M. Stm. £1	187	+2	Irish Ropes	55	......
Pearce (C. H.)	455	......	Jacob	32	......
Peel Mills	40	......	T.M.G.	85	......
Sheff. Refrshmt	103	......	Unidare	95	......
Sindall (Wm.)	148	......			

OPTIONS
3-month Call Rates

Industrials		I.C.I.	27	Utd. Drapery	6½
A. Brew	7	"Imps"	6½	Vickers	12
BOC Intl.	6	I.C.L.	14	Woolworths	5½
B.S.R.	4½	Inveresk	4		
Babcock	8	Ladbroke	15	**Property**	
Barclays Bank	34	Legal & Gen.	15	Brit. Land	7
Beecham	10	Lex Service	8	Cap. Counties	9
Blue Circle	25	Lloyds Bank	24	Land Secs.	24
Boots	16	"Lofs"	3½	MEPC	17
Bowaters	15	London Brick	6	Peachey	13
B.A.T.	20	Lucas Inds.	17	Samuel Props.	12
Brown (J.)	6	"Mams"	14	Town & City	2
Burton 'A'	10	Mrks. & Spncr	8		
Cadburys	5½	Midland Bank	26	**Oils**	
Courtaulds	8	N.E.I.	5	Brit. Petroleum	92
Debenhams	8	Nat. West. Bank	27	Burmah Oil	20
Distillers	17	P & O Dfd.	10	Charterhall	10
Dunlop	7½	Plessey	14	KCA	11
Eagle Star	15	Racal Elect.	22	Premier	13
F.N.F.C.	2¼	R.H.M.	4½	Shell	35
Gen. Accident	21	Rank Org.	15	Tricentrol	40
Gen. Electric	30	Reed Intnl.	16	Ultramar	35
Glaxo	18	Sears	5		
Grand Met.	12	Tesco	6	**Mines**	
G.U.S. 'A'	34	Thorn	23	Charter Cons.	14
Guardian	23	Trust Houses	12	Cons. Gold	40
G.K.N.	20	Tube Invest.	23	Lonrho	8
Hawker Sidd	15	Unilever	40	Rio T. Zinc	35
House of Fraser	15	U.D.T.	5½		

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FINANCIAL TIMES
Monday June 23 1980

BUILDING SOCIETIES CANNOT AGREE ON COMMON FORMULA

Protection fund efforts fail

BY MICHAEL CASSELL

THE BUILDING societies have abandoned attempts to set up a deposit protection fund, first proposed after the Grays Building Society collapsed in early 1978.

Despite prolonged and detailed discussions, some societies remain opposed in principle to the idea.

Their failure to agree means the Government will legislate to ensure that building society investors are covered by a protection mechanism similar to that recently introduced to cover the banks and other deposit-taking institutions.

A Green Paper on building societies is due to be published later this year, and a Bill containing deposit protection provisions is expected to be debated in the 1981-82 parliamentary session.

When the Grays collapsed with deficiencies of about £7m, the societies moved quickly to make good the funds and avoid a potentially disastrous loss of public confidence. Almost immediately, they began to discuss the need for a fund which could be used in any future crisis.

Original proposals suggested that each society contribute about £5,000 to a standing fund. More important, between them they would accept contingent liabilities of £7m. Above that, the societies as a whole permit drawing rights up to £120m.

Some societies refused to accept the principle that they and their members should be expected to bail out operations which run into difficulties. Most in any case, treated the search for a formula more as an academic exercise than as a matter requiring urgent attention, on the basis that any major failure could, if necessary, be dealt with in much the same as Grays.

Few societies believe another big collapse is possible. They say most problems have arisen because of fraud, and accounting procedures have been tightened significantly after the Grays episode.

The Government is committed to ensure that building societies, along with all other deposit-taking bodies, provide some form of protection fund. A "safety net" system will have to be established for them all before the EEC banking directive takes effect.

It seems likely that the societies will end up having to implement a scheme along the lines of their original plans. But if the mechanism mirrors the one applying to the banks, they could find the are liable only for 75 per cent of any deficiencies.

In the past, they have been ready to match any shortfall and whatever their legal obligations, they would probably maintain this policy for the sake of public relations.

Whatever system is imposed—it will be devised after close consultation with Treasury and other Government officials—some societies will be unhappy participants. But at least they will be able to tell members that they have no choice but to comply with the law.

Plans for regulating Lloyd's published

By John Moore

A NEW 25-man ruling council for Lloyd's of London, the troubled insurance market, is recommended by the committee under Sir Henry Fisher, which has been examining self-regulation at Lloyd's. Its report is to be published later this week.

If formed, the new council will have more powers than the existing 16-strong Lloyd's committee.

It would involve a major switch in the balance of power within the market and the biggest administrative upheaval in Lloyd's 300-year-old history.

The 25-man council would be chaired by Mr. Peter Green, Lloyd's chairman, and include the 15 other members of the Lloyd's committee. In two important changes to the way Lloyd's runs its market, the new council would comprise:

- **Six members from the near 14,000 members of Lloyd's who do not work in the market, but who commit their wealth to allow the market to function.**
- **Three members, completely independent of the Lloyd's market, to be approved by the Bank of England.**

The question of the approval of the three independent members is likely to cause a major controversy in London insurance circles.

The UK insurance market, including Lloyd's of London, is ultimately supervised by the Department of Trade. The Fisher team has turned to the Bank of England, however, in this instance to take account of Lloyd's desire to keep its affairs within the City and self-regulated rather than to provoke more Government intervention.

The new council would have policy-making powers and the right to determine the composition of the 16-strong committee of Lloyd's.

One of the major criticisms of Lloyd's has been that the market and its committee is becoming increasingly dominated by the large underwriting syndicates, and larger Lloyd's insurance brokers,

THE LEX COLUMN

The Revenue's role in demergers

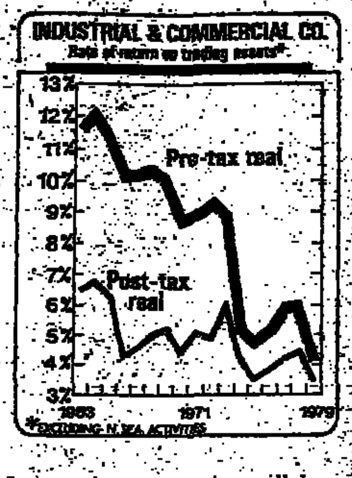
It is ironic that the details of the Government's proposals to make company demerging easier have emerged during what appears to be a new bout of take-over fever. With BP gunning for Selection Trust, Harrisons and Crosfield raising £50m for acquisitions and various contenders squabbling behind the scenes over Ferranti's future, shareholder financial pressure in favour of the small is beautiful movement hardly seems intense. And while GEC may have talked about demerging at the height of the take-over battle for Decca, it would not be surprising to see colder counsel prevailing now that an opportunity has actually opened up.

In fact, the legislation designed to remove the tax barriers to demerging does not cover the one aspect that some large companies would be most interested in: separating their property portfolio from their trading operation, as John Laing managed to do in 1978. Under the clauses tabled last week both investment and property portfolios are specifically excluded. Only trading companies or holding companies of a trading group can be safely demerged.

The main constraints in the legislation are due to the need to prevent the demerger facility becoming a vehicle of tax avoidance. It would be all too easy for a company to spin off its cash in a new entity which could then be liquidated to provide an effective tax free distribution to shareholders. For this reason the motive for a demerger under the legislation must be solely commercial.

However, even though companies can gain prior clearance on their plans from the Revenue, all uncertainty has not been eliminated. If any of the companies involved makes a payment to the shareholders for noncommercial reasons within five years, there could be a clawback of all the tax relieved. The trouble here is that where affairs are complicated it is quite feasible that one company might take some action years after a demerger that rebounds on the shareholders of another company. This possibility may reduce the marketability of shares in demerged companies.

Nor is the legislation conducive to the simplest forms of adjustment. While companies are entitled to make a straightforward distribution of shares in the subsidiary which is being hived off, they will be liable to capital gains tax on the disposal.



In practice companies will have to take a more complicated route to demerging, by passing subsidiaries to specially-formed holding companies which would then issue their equity to the shareholders of the original companies.

No one is expecting a rush of big company demergers, although there are likely to be a few each year and a steady stream of applications from medium-sized and private companies. Probably the most significant aspect of the legislation is that it pushes the Revenue further out of its ivory tower into the commercial world. On a subject as complex as this, no rules can cover every eventuality, and while decisions remain open to appeal, the Revenue is effectively obtaining powers to decide whether individual proposals conform to the spirit of the legislation. It becomes a little less of a tax gatherer and a little more of a regulatory body.

Company profits

At the end of last month the equity market absorbed the National Institute's forecast of a drop of 70 per cent in the non-North Sea trading profits of industrial and commercial companies (net of stock appreciation) and then after a few day's anxiety embarked on a rapid upswing which has carried the FT 30-Share Index ahead by 14 per cent in less than three weeks. On the face of it the latest official gross domestic product figures for the first quarter of 1980 confirm the market's implied view that the National Institute was overdoing the gloom. Industrial and commercial company trading profits were well up on the depressed figure of the corresponding 1979 quarter (which was badly hit by strikes and the weather) and were roughly in line with the levels achieved during the remaining quarters of last year.

Of course, a pattern of nominally unchanged trading profits — at just over £5bn a quarter—is unsatisfactory when inflation is proceeding apace and the North Sea content is rising rapidly. The Central Statistical Office has not yet released estimates of North Sea profits, but these could well be approaching a quarterly rate of £2bn, against £1bn or so a year ago. So non-oil trading profits, net of stock appreciation, may have been only some £3.5bn for the first quarter. But, poor though this may be, the National Institute forecast that this number would be £4.5bn for the whole year. Meantime, with stock appreciation very high, the implication of the CSO figures is that pre-tax profits of companies, as published on the historical cost basis, will actually hold up quite well for the first quarter.

Of course, the profits squeeze is by no means over yet. The monthly trends enquiry of the CBI, published today, shows a further deterioration for June in all the five indicators which it regularly tracks. There is great pessimism about orders and output, and less than half of respondents are now expecting to be able to raise their prices within the next four months.

Another fairly gloomy view is expressed by brokers Scrimgeour, Kemp-Gee, even though they expect a relatively modest 20 per cent fall this year in non-oil net trading profits. They forecast a severe fall in terms of current cost accounting — on which basis companies will barely be making an after-tax profit in the UK, even including oil — and they suggest that dividend cuts are going to be widespread over the next year.

It is worth pointing out, however, that there are serious problems in interpreting all this aggregated profits data—and the figures themselves are far from being reliable. Recently the CSO's trading profits series going back to the early 1970s was retrospectively revised upwards and the Bank of England commented on the new data in last week's Quarterly Bulletin. It now appears that for all the talk of the squeeze on company profitability over the past 20 years, the post-tax real return on trading assets of industrial and commercial companies has, in fact, been surprisingly constant since the mid-1960s—at any rate, until this year.

Cut indicated in $ share of reserves to about 72%

BY DAVID MARSH

BRITAIN appears to have reduced the proportion of dollars in its official foreign exchange reserves to a level somewhat below the international average. Part of the reduction has been due to an increase in the proportion of Deutsche Marks and possibly other Continental currencies in the reserves.

Governments and central banks normally keep the currency breakdown of their foreign exchange reserves a closely-guarded secret. The British move seems to reflect a general shift by industrialised countries towards more flexibility in the use of the D-Mark and other non-dollar currencies as international reserve assets.

The underlying share of the dollar in Britain's reserves of normal convertible currencies is understood to have fallen recently to about 72 per cent compared with about 75 per cent last summer. By contrast, the dollar's share of total world foreign exchange reserves is generally put at almost 80 per cent.

Limits

The increase in the non-dollar component of Britain's reserves has probably been connected with foreign loans raised by public sector borrowers in non-dollar currencies, particularly through the European Investment Bank. These loans have been paid into the reserves in the currencies in which they were raised. Additionally, Britain has repaid large amounts of foreign loans, predominantly raised in dollars, during the past year or so.

In the EEC, countries such as West Germany previously set rigid limits for the amounts of their own currencies that could be held in the reserves of member States. Recently these limits are believed to have been relaxed slightly, reflecting a softening of Germany's traditional fierce opposition to the use of the Deutsche Mark as a reserve currency.

The increase in non-dollar holdings may also reflect other foreign exchange transactions carried out on behalf of the Government. But it has probably not been due to Bank of England intervention on the foreign exchange markets. Britain is not a member of the exchange rate mechanism of the European Monetary System, which would oblige the Bank to intervene from time to time in the currencies of EEC members.

Most of the Bank of England's recent purchases of foreign currency to dampen sterling's strength are thought to have been in dollars.

Calculations of the exact breakdown of Britain's foreign exchange reserves are complicated by the fact that, since last July, 20 per cent of the UK's gold and dollar reserves have been exchanged for European Currency Units under the EEC scheme for partial pooling of reserves.

Prospects

Breaking down Britain's ECU holdings into the gold and dollar components, the basic foreign exchange reserves are now thought to comprise more than $12bn worth of dollars and nearly $5bn worth of non-dollar currencies. Total currency reserves, including ECU holdings, amount to just under $20bn.

This compares with about $13.5bn worth of dollars and $4.5bn worth of non-dollar currencies held at the end of last July, when total currency reserves, including ECU holdings, came to about $19bn.

It is not certain whether the move away from the dollar reflects any official change in attitude about the long-term prospects for the U.S. currency. In accordance with normal practice, neither the Treasury nor the Bank of England would comment on the figures involved.

Mr. Gordon Richardson, the Governor of the Bank of England, however, last summer drew attention to the general subject of reserve currency diversification in a wide-ranging speech on the international monetary system.

Remarking that about 80 per cent of world foreign exchange reserves was held in dollars, he said it was "difficult to believe that over the longer term so large a proportion of the world's currency reserves will be willingly held in one national currency."

Sailors give Prime Minister Mrs. Thatcher a helping hand as she steps ashore on St. Giorgio Island, Venice, to attend the opening session of the OECD summit meeting.

Cabinet economy review date switch for general assessment of monetarism

BY RICHARD EVANS

THE CABINET assessment of the Government's overall economic strategy has been brought forward next month so that Ministers can review public spending plans before the recess.

Instead of the meeting planned for July 16, now cancelled, the general meeting to examine the impact of the Government's monetarist policies will be held at Downing Street in the first week of July.

There will be a further meeting about a fortnight later to consider specifically the latest Treasury public spending forecasts for 1981-82 and subsequent years.

MPs speculated yesterday that the July 16 Cabinet had been abandoned because of reports that the "wets" could use the opportunity to press demands for an economic U-turn involving the adoption of an incomes policy before the next pay round.

However, there is little evidence that Mrs. Thatcher's Government critics are prepared to attack so early in the Parliament before monetarist policies have been given sufficient opportunity to work.

The real reason for the change is the earlier availability of Treasury forecasts for public spending in 1981-82 and the need for the Cabinet to reach an early view on public sector pay. It was thought sensible to concentrate on this single issue at the mid-July meeting and to bring forward the more general discussion.

Disquiet

Despite industrialists' and businessmen's disquiet at high interest rates, the impact of monetarist policies and unrest among Conservative MPs, Sir Geoffrey Howe, Chancellor of the Exchequer, remains confident that his policies are working.

In a speech at Blackpool on Saturday, delivered for him in his absence at the Venice summit, Sir Geoffrey said he believed it now possible "to detect grounds for genuine optimism."

The reasons he gave were that the rate of increase in the money supply was gradually coming under control, the May figure for the retail price index was up by less than 1 per cent, and the levelling out of world commodity prices.

Mr. John Biffen, Chief Treasury Secretary, is preparing a paper for the Cabinet outlining public spending proposals for 1981-82 before bilateral meetings take place between the Treasury and spending departments in the autumn.

Cabinet committees are discussing tight cash limits on central Government pay in line with monetary targets of 7 to 11 per cent, a strict rate support grant settlement in the autumn to force local authorities to restrict pay to below the level of inflation, and controls over nationalised industries to ensure similar restrictions on pay.

Weather

UK TODAY

HEAVY showers with some sunny intervals in most areas. Rather cool. Max. 18C (64F).

Outlook: Similar, but followed by rain in the south-west.

		Y'day midday °C	°F			Y'day midday °C	°F
Amsdm.	C	15	59	Lisbon	C	20	68
Athens	S	27	81	Locarno	C	18	64
Barclna.	R	18	64	London	R	15	59
Beirut	S	26	79	Luxmbg	C	13	55
Belfast	C	13	55	Luxor	S	38	100
Belgrd.	S	28	82	Madrid	C	25	77
Berlin	R	14	57	Majorca	C	25	77
Bmghm.	C	15	59	Malaga	S	23	73
Blackpl.	F	14	57	Malta	S	26	79
Bordx.	C	19	66	M'chstr	C	12	54
Boulgn.	F	12	54	Milan	C	21	70
Bristol	F	13	55	Moscow	C	24	75
Brussels	F	16	61	Munich	C	16	61
Cardiff	C	11	52	Naples	F	23	73
Cas'b'ca	C	22	72	Nwcstl.	F	13	55
Cpnhgn.	F	16	61	Nice	F	25	77
Corfu	S	26	79	Oporto	R	17	63
Dublin	C	10	50	Oslo	F	12	54
Dbrvnk.	S	25	77	Paris	R	12	54
Ednbgh.	F	15	59	Prague	F	14	57
Faro	S	26	79	Reykjvk.	F	13	55
Florence	C	23	73	Rhodes	S	27	81
Frankft.	C	16	61	Rome	F	24	75
Funchal	F	21	70	Salzbrg.	C	15	59
Geneva	F	17	63	Stckhm.	C	19	66
Gibrltr.	S	25	77	Tangier	F	23	73
Glasgow	F	14	57	Tel Aviv	S	26	79
G'rnsey	C	11	52	Tenerife	S	23	73
Helsinki	S	19	66	Tunis	S	32	90
Innsbrk.	C	15	59	Valencia	C	25	77
Invrnss.	F	16	61	Venice	C	23	73
Istanbul	S	26	79	Vienna	R	15	59
Jersey	R	13	55	Warsaw	R	21	70
L. Plms.	S	22	72	Zurich	F	16	61

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

BP in talks on Hong Kong refinery project

BY SUE CAMERON AND DAVID DODWELL

BRITISH PETROLEUM and the Hong Kong Government are discussing the possibility of building the colony's first oil refinery.

Officials in Hong Kong have confirmed that discussions are taking place with BP, but they stress these are at an "earlier than early stage."

BP is believed to be involved in a preliminary feasibility study on the building of a refinery. This follows a Government-appointed advisory committee report on diversification which suggested the construction of a refinery in Hong Kong late last year.

Oil industry experts estimate the cost of a refinery at between $600m and $1bn (£260m to £430m). The price would probably be towards the upper end of the range.

The Hong Kong Government keeps a tight rein on public spending and is thought unlikely to want to take a large stake in a refinery project.

The industry believes Hong Kong could provide sufficient domestic demand to support a 150,000 barrels a day refinery. But it is more likely that any refinery built in the colony would be geared to export to the rest of South-East Asia, where there is expected to be a strong growth in demand.

Overall demand for oil products in the region is forecast to grow at an annual rate of between 2 and 3 per cent over the next 10 years from 1979's estimated 700,000 barrels a day. But demand for middle distillates—diesel fuel, gas oil and aviation fuels—is expected to increase at a minimum annual rate of 5 per cent.

The probable site for a Hong Kong refinery would be Lan Tau island, which is comparatively undeveloped.

Continued from Page 1

Moves for North-South

aim by 1990 at generating new alternative energy supplies equivalent to 15m to 20m barrels a day, of oil.

The debate took place against a background of deep anxiety over the world economy and the ever-growing difficulties of recycling the OPEC surplus.

President Jimmy Carter acknowledged the deepening U.S. recession but warned against seeking an easy way out by increasing public spending. He said the battle against inflation remained the top priority. He defined the financial position of the developing countries as perilous, following the latest "unjustified" OPEC increases.

Chancellor Helmut Schmidt, of West Germany, said there was danger of a massive collapse of the Euro-currency market which could be triggered by defaulting borrowers.

Continued from Page 1

Sir Keith to study

"During that time it could build up shareholder loyalty. "The Royal Bank and ourselves have no wish to interfere with market forces, but we feel something must be done in view of the unique importance of Ferranti to the Scottish economy."

It is not certain that Sir Keith will favour the scheme, since it would mean the NEB accepting a considerably lower price

Mr. de Vink says a discount on the current share price of 550p would be essential to reflect the rise created by takeover speculation and the restriction on sales that institutions would be asked to accept.

"It would be a substantial discount on the current price, but only a small discount on the real value of the company. Given this we are confident that there would be institutional support of the highest quality," he said.

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